

**REPORT OF THE DEPARTMENT OF THE CHIEF FINANCIAL OFFICER (MR. A.J.J. LE GRANGE)**

**1. TABLE OF CONTENTS**

<b>NO</b>	<b>SECTION DESCRIPTION</b>	<b>PAGE</b>
1.	Table of Content	1
1.1	Annexures	3
1.2	Introduction	5
<b>Part 1 – Annual Budget</b>		
2.	Mayoral Budget Speech	7
3.	Resolution	8
4.	Executive Summary	36
5.	Annual Budget Tables	60
<b>Part 2 – Supporting Documents</b>		
6.	Overview of Annual Budget Process	60
7.	Overview of alignment of annual budget with Service Delivery Agreement	67
8.	Measurable performance objectives and indicators	73
9.	Overview of budget related policies	76
10.	Overview of budget assumptions	80
11.	Overview of budget funding	86
12.	Expenditure on allocations and grant programmes	97
13.	Allocations and grants made by the Municipality	98

14.	Councillor and Councillor allowances and employee benefits	99
15.	Monthly targets for revenue, expenditure and cash flow	101
16.	Annual budget and service delivery and budget implementation plans – internal departments	102
17.	Annual budgets and service delivery agreements – municipal entities and other external mechanisms	107
18.	Contracts having future budgetary implications	108
19.	Capital expenditure details	110
20.	Legislation compliance status	112
21.	Other supporting documents	113
22.	Annual budget of municipal entities attached to the Municipalities annual budget	113
23.	Performance Agreement of Senior Managers	113
24.	Municipal Manager's quality certification	113

## 1.1 ANNEXURES

Annexure "A"	Supporting Tables A1 to A10 SA1 to SA 37 Supporting Charts	(Yellow)
Annexure "B"	Water & Sewer Budget	(Green)
Annexure "C"	Environmental Health Budget	(Pink)
Annexure "D"	Policies <ul style="list-style-type: none"><li>- Supply Chain Management</li><li>- Preferential Procurement Policy</li><li>- Tariff Policy<ul style="list-style-type: none"><li>• Electricity</li><li>• Water</li><li>• Sanitation</li><li>• Refuse Removal</li><li>• Property Rates</li></ul></li><li>- Budget Implementation and Management Policy</li><li>- Credit Control &amp; Debt Collection</li><li>- Property Rates Policy</li><li>- Cash Management and Investment Policy</li><li>- Borrowing Policy</li><li>- Funding and Reserves Policy</li><li>- Policy Relating to Long-Term Financial Planning</li><li>- Policy Relating to Management and Disposal of Assets</li><li>- Policy dealing with Infrastructure Investment and Capital Projects</li><li>- Indigent Policy</li><li>- Adjustment Budget Policy</li><li>- Virement Policy</li></ul>	
Annexure "E"	Guideline from National Treasury	(Yellow)

Annexure "F"	Monthly Cash Flow Statement	(Green)
Annexure "G"	Personnel & Salary Structure	(Pink)
Annexure "H"	Vehicle Budget	(White)
Annexure "I"	Budgeted Financial Statements	(Blue)
Annexure "J"	Certificate of water analysis	(Yellow)
Annexure "K"	Measureable Performance Objectives (Pink)	
Annexure "L"	Consolidated projection of Revenue and Expenditure	(Green)
Annexure "M"	Consolidated projection of Revenue and Expenditure by vote	(Blue)
Annexure "N"	Quality Certificate	(White)
Annexure "O"	Maintenance Plans	(Yellow)
Annexure "P"	Performance Agreements of senior Managers	(White)
Annexure "Q"	Electricity Service Contribution Tariffs	(Green)

## **1.2 INTRODUCTION**

### **PURPOSE OF THIS REPORT**

The purpose of this report is to request Council to consider the 2011/2012 (MTREF) Medium-term Revenue and Expenditure Framework in terms of Section 24 (1) of the Municipal Finance Management Act 2003, Act no. 56 of 2003.

### **INTRODUCTION**

The (MTREF) Medium – Term Revenue and Expenditure Framework submitted to Council today is the collective effort of the Budget Committee and Directors and is in line with the requirements of the Municipal Finance Management Act, 2003 and is the financial assertion of our political mandate.

It is a requirement of the Act that Municipalities table a balanced budget, based on realistic estimates of revenue that are consistent with their budgetary resources and experience. The needs of the residents and communities have to be met as far as possible, and it should be achieved within the financial capacity and resource constraints of Greater Tzaneen Municipality.

The preparation of the 2011/2012 Medium Term Revenue and Expenditure Framework (MTREF) was extremely challenging as it was influenced by several factors which include the election, global economic recession, infrastructure backlogs, financial constraints, etc..

Although the global economy is recovering from the deepest recession since the second world war and economists predict an upwards trend for the economy, Greater Tzaneen Municipality took a conservative approach with the preparation of the

2011/2012 budget. Factors that were taken into consideration are the increases prescribed by National Treasury in rates, tariffs and other charges, the economic recession, Councils financial position and the fact that Municipality's were cautioned by national Treasury to keep increases in tariffs and other charges as low as practically possible. They also advise Municipality's that Section 20 of the MFMA specifically empowers the Minister of Finance to take appropriate steps to ensure that Municipality's do not materially and unreasonably prejudice national economic policy, particularly those on inflation, administered prices and equity.

Unfortunately, our main source of income is still the revenue derived from service charges and apart from tariff increases there is no significant expansion in the revenue sources of Council. Greater Tzaneen Municipality will have to urgently consider alternative funding sources in an effort to maximize service delivery. This matter will have to be addressed as a matter of urgency seeing that not much have been done in the past to identify alternative funding sources.

The budget has been drafted according to legislation and the Budget Steering Committee believes that the 2011/2012 budget planning initiatives and the accompanying collective budget process resulted in not only a well balanced budget, but also one which is sustainable, equitable and representative of our communities.

Council must also take cognizance that Section 160 (2)(b) of the Constitution of the Republic of South Africa, 1996 (Act no. 108 of 1996) determines that the approval of budgets may not be delegated by a Municipal Council. Section 160 (3) (b) determines that all questions concerning the approval of the budget, are determined by a decision taken by a council with a supporting vote of a majority of its members. In the case of Greater Tzaneen Municipality this means that at least 35 councillors must vote in favour of the proposed budget.

## **PART 1 – ANNUAL BUDGET**

### **2. BUDGET SPEECH BY ALDERMAN O.J. MUSHWANA**

The budget speech of the Mayor will be distributed under separate cover.

### **3. BUDGET RELATED RESOLUTIONS**

#### **RECOMMENDATIONS**

- (a) That the draft budget of Greater Tzaneen Municipality for the financial year 2011/2012 and the indicative revenue and projected expenditure for the two subsequent years 2012/2013 and 2013/2014 be approved as contained in the following schedules:

Supporting tables:

A1 to A10  
SA 1 to SA 37  
Supporting Charts

- (b) That the annexure and policies attached to this report be approved.
- (c) That Council takes cognizance thereof that the increase in tariffs on the previous year tariffs are within the guideline set by National Treasury.
- (d) That the budget for water, sewer and environmental health drafted by the Chief Financial Officer of Greater Tzaneen Municipality be submitted to Mopani District Municipality (MDM) for consideration, approval and submission to National Treasury.
- (e) That the allocation from sources other than conditional grants for capital projects for the 2010/2011 financial year be approved as follows:

Loans	R50 000 000
Own Sources	<u>R15 000 000</u>
TOTAL	R65 000 000

- (f) That the expenditure on the public entertainment and subsistence and travel votes be limited to the budgeted amounts and that no overspending on these votes be allowed without the prior approval of the Municipal Manager and the Chief Financial Officer.
- (g) That no overspending be allowed on the entertainment votes without the prior approval of the Municipal Manager.

- (h) That the Municipal Manager finalizes the service level agreement of the Environmental Health Service with MDM as a matter of urgency.
- (i) That the monthly accounts of poor households (indigent) that qualify for free basic services be approved at R30,00 per month plus water consumption above 12 kilolitre per month.
- (j) That the measurable performance objectives for revenue for each source and for each vote as per **Item 8** be approved.
- (k) CAPITAL BUDGET
  - I That the capital budgets from own sources and loans be approved as follows:
 

2011/2012 Financial year	R50 000 000
2012/2013 Financial year	R50 000 000
2013/2014 Financial year	R50 000 000
  - II That an amount of R51 468 400 be approved from Grants.
  - III That the amount of R50 000 000 for the 2011/2012 financial year be approved from loans.
  - IV That Council takes cognizance of the R44 376 400 (2011/2012) MIG allocation for capital projects.
- V TRANSPORT BUDGET
  - I That the transport budget as per **Annexure H** and tariffs applicable for each vehicle be approved.
  - II That all vehicles be rationalized to the needs of the different departments to ensure optimal and cost effective fleet management to all departments.

III That all departments adhere to the requirements of utilization and costing set out in the Vehicle Fleet Policy.

VI That the interest and redemption/depreciation with regard to the purchase of IT equipment for R4 million and the replacement of vehicles for R8,5 million as provided in the operational budget be approved.

(l) PERSONNEL

That the personnel budget for Greater Tzaneen Municipality be approved. **Annexure “ G”.**

(m) INTEREST ON ARREARS OTHER THAN FOR RATES

That the interest rate in terms of the Local Government, Municipal Systems Act 32 of 2000 be determined the same as the current rate, namely, 18%.

(n) INTEREST ON AREAR RATES

That the interest rate of prime rate plus 1% as promulgated in Government Gazette no. 28113 of 13 October 2005 be approved and that the prime rate of ABSA Bank, where Greater Tzaneen Municipality primary bank account is held, be applicable.

(o) That R217 200 be made available to the Mayor for the 2011/2012 financial year, allocated as follows:

I R60 000 Special account which must be subjected to Audit. (Funds will only be transferred to an organization).

II R157 200 For Bursaries

(p) SOLID WASTE: TARIFFS

That the following tariffs for solid waste be approved:

		<b>CURRENT</b>	<b>PROPOSED</b>
1.	Residential per service per month	R 78.69	R83.41
2.	Business per service per month	R 262.30	R278.04
3.	The removal of animal carcasses per removal	R 110.00	R190.00
4.	Departmental charge per service per month	R 262.30	R278.04
5.	Industrial service per month	R 209.84	R222.43
6.	Removal and destruction of condemned foodstuffs per load of one ton or part thereof	R 520.00	R550.00
7.	Bulky Waste  I The removal of compactable bulky waste per 6m <sup>3</sup> skip per removal  II The removal of non compactable bulky waste per 6m <sup>3</sup> skip per removal	R 390.00  R 700.00	R420.00  R750.00
8.	Private dumping at landfill/transfer/public off-loading sites.  I Per light delivery van or trailer load not exceeding one ton  II Per lorry load not exceeding three ton, but exceeding one ton  III Per lorry load not exceeding six ton, but exceeding three ton  IV Per lorry load not exceeding ten Ton, but exceeding six ton  V Per lorry load exceeding ten ton	R 105.00  R 270.00  R 790.00  R1 200.00  R1 990.00	R120.00  R300.00  R800.00  R1 300.00  R2 200.00

9.	Incineration of bio-hazardous waste		
	• 5 – 8 x lit sharps	R 95.00	R110.00
	• 5 x lit human tissue	R165.00	R180.00
	• 10 x lit sharps	R155.00	R170.00
	• 10 x lit human tissue	R210.00	R230.00
	• 20 x lit sharps	R265.00	R290.00
	• 20 x lit human tissue	R320.00	R350.00
	• 85 x lit H.C.W. in liner	R110.00	R120.00
	• 140 x lit box + liner	R265.00	R290.00
	• 50 x lit box + liner	R135.00	R150.00
	• 140 x lit liners	R 15.00	R20.00

(q) WATER SUPPLY: TARIFFS

That the following tariffs for water supply be approved:

**Tariffs Basic Charges**

		CURRENT	PROPOSED
Domestic (AA)		R21.23	R22.51
Business (BA)		R33.52	R35.53
Industrial (CA)		R33.52	R35.53
State (EA)		R56.98	R60.39
Dept (FA)		R21.23	R22.51
Transnet (HA)		R56.98	R60.39
Flats		R34.63	R36.71
Education		R26.81	R28.42

**Tariffs for Consumption**

		CURRENT	PROPOSED
i	DOMESTIC (AA)		
	0 – 6 kl	R0.54 per kl	R0.57 per kl
	7 – 10 kl	R1.48 per kl	R1.57 per kl
	11 – 25 kl	R2.63 per kl	R2.79 per kl
	26 – 35 kl	R3.53 per kl	R3.74 per kl
	36 – 100 kl	R3.97 per kl	R4.21 per kl
	101 kl and more	R7.41 per kl	R7.85 per kl
ii	BUSINESS (BA)		
	0 – 50 kl	R1.89 per kl	R2.00 per kl
	51 – 100 kl	R3.15 per kl	R3.34 per kl
	101 and more	R3.78 per kl	R4.01 per kl
iii	INDUSTRIAL (CA)		
	0 – 50 kl	R1.89 per kl	R2.00 per kl
	51 – 100 kl	R3.15 per kl	R3.34 per kl
	101 and more	R3.78 per kl	R4.01 per kl

iv	STATE (EA)		
	0 – 50 kl 51 – 250 kl 251 and more	R4.96 per kl R4.08 per kl R2.91 per kl	R5.26 per kl R4.33 per kl R3.08 per kl
v	DEPT (FA)		
	0 – 6 kl 7 – 10 kl 11 – 25 kl 26 – 35 kl 36 – 100 kl 101 kl and more	R0.56 per kl R1.50 per kl R2.64 per kl R3.17 per kl R3.97 per kl R7.41 per kl	R0.60 per kl R1.59 per kl R2.80 per kl R3.36 per kl R4.21 per kl R7.85 per kl
vi	TRANSNET (HA)		
	0 – 50 kl 51 – 250 kl 251kl and more	R4.96 per kl R4.08 per kl R2.91 per kl	R5.26 per kl R4.33 per kl R3.08 per kl
vii	FLATS		
	0 – 75 kl 76 – 120 kl 121 – 200 kl 201 – 250 kl 251 – 370 kl 371kl and more	R0.56 per kl R2.95 per kl R3.11 per kl R3.26 per kl R3.42 per kl R3.73 per kl	R0.60 per kl R3.12 per kl R3.30 per kl R3.46 per kl R3.63 per kl R3.96 per kl
viii	EDUCATION		
	0 – 50 kl 51 – 200 kl 201 – 400 kl 401 kl and more	R2.15 per kl R1.76 per kl R1.26 per kl R2.52 per kl	R2.28 per kl R1.87 per kl R1.34 per kl R2.67 per kl

(r) SEWERAGE: TARIFFS

That the following tariffs for sewer services be approved:

	CURRENT	PROPOSED
Charge per m <sup>2</sup> (Basic Charge)	R0.21/year	R0.22/year
<b>CHARGE PER KL WATER USAGE/MONTH</b>		
Domestic (AA)	R0.514/kl	R0.545/kl
Business (BA)	R0.86/kl	R0.91/kl
Hotel (BB)	R0.72/kl	R0.76/kl
Guest Houses	R0.72/kl	R0.76/kl
Industrial (CA)	R0.86/kl	R0.91/kl
Flats (IA)	R0.52/kl	R0.55/kl
State (EA)	R0.66/kl	R0.70/kl
Education	R0.29/kl	R0.30/kl
Incentives	R0.29/kl	R0.30/kl

(s) GENERAL RATES AND REBATE

**PROPERTY RATES TARIFFS**

RATES TARIFFS	CENT IN THE RAND	
	CURRENT	PROPOSED
Categories of properties in terms of the policy		
<b>Agricultural Properties</b>		
Tariff on market value	0.178c	0.2359c
<b>Business and Commercial Properties</b>		
Tariff on market value	0.89c	0.9434c
<b>Cemeteries and Crematoriums Properties</b>		
Tariff on market value	0.00c	0.00c
<b>Industrial Properties</b>		
Tariff on market value	0.89c	0.9434c
<b>Institutional Properties</b>		
Tariff on market value	0.89c	0.9434c
<b>Multi-Purpose Properties</b>		
Tariff on market value	0.89c	0.9434c
<b>Municipal Properties</b>		
Tariff on market value	0.000c	0.000c
<b>Privately Owned Vacant Land</b>		
Tariff on market value	0.89c	0.9434c
<b>Public Benefit Organization Properties</b>		
Tariff on market value	0.000c	0.000c
<b>Public Infrastructure Properties</b>		
Tariff on market value	0.89c	0.9434c
<b>Properties for Religious Use</b>		
Tariff on market value	0.000c	0.000c
<b>Residential Properties</b>		
Tariff on market value	0.89c	0.9434c

<b>Special Properties</b>		
Tariff on market value	0.89c	0.9434c
<b>State-Owned Properties</b>		
Tariff on market value	0.89c	0.9434c

That the 80% rebate on Agricultural property be reduced to 75% to comply with the requirements of Government Gazette no. 33016 of 12 March 2010 which reads as follows:

<u>Categories</u>	<u>Ratio in Relation to Residential property</u>
Residential property	1:1
Agricultural property	1: 0,25

The agricultural tariff must be 25% of the residential tariff.

That the rates be paid in a single amount before 31 August or in twelve (12) equal monthly installments.

That the interest rate on overdue amount on property rates be charged at prime rate plus one (1%) percent in terms of the Municipal Property Rates Act, 2004.

#### (t) ELECTRICITY TARIFFS

That the following electricity tariffs be approved:

#### **TARIFF A**

- This tariff is available for single phase 230V up to a maximum of 30 Amp circuit breaker capacity
- This tariff will suit low consumption customers, typically less than approximately 900 units.

The following will be payable:

- A.1. A consumption charge, per kWh consumed  
**99,84c**

- A.2. The Municipality is currently busy with a pilot project for prepaid metering and the kWh rates applicable will be equal to that of Eskom Home light 1.

Regarding a 60A pre-paid supply, this will be subject to the following conditions:

- 1.** Sufficient network capacity
- 2.** Maximum 60A, single phase
- 3.** Relevant Eskom home light 1 kWh tariff
- 4.** Prior payment of the relevant connection cost as per the Eskom home light 1 tariff.

This tariff will therefore not be available as a standard tariff, but only in the pilot areas at the discretion of the Municipality.

## **TARIFF B**

- This tariff is available for single phase 230V (Capacity not exceeding 16 kVA) and three phase 400V (Capacity not exceeding 75 kVA)
- This tariff will suit medium to high consumption customers.

The following charges will be payable:

- B.1. A fixed charge, whether electricity is consumed or not, per point of supply:

The following size circuit breakers will be available:

		<b>AGRIC/DOMEST</b>	<b>BUSINESS</b>
16 kVA Single phase	70 Amp	<b>R205,90</b>	<b>R690.10</b>
25 kVA Three phase	45 Amp	<b>R854,45</b>	<b>R765.18</b>
50 kVA Three phase	80 Amp	<b>R1 109,47</b>	<b>R1 120.45</b>
75 kVA Three phase	100 Amp	<b>R1 536.61</b>	<b>R1 446.34</b>

*NOTE 1: The capacity of a supply shall be the capacity as determined by the Electrical Engineering Manager*

**PLUS**

B.2.1 A consumption charge, per kWh consumed  
**(Business) 68,52c**

B.2.2 A consumption charge, per kWh consumed  
**(Agric/Domestic) Three phase 73,04c**

B.2.3 A consumption charge, per kWh consumed  
**(Agric/Domestic) Single phase 79,10c**

**PLUS**

B.3.1 On three phase connections, an additional charge per kWh for every unit consumed above 3 000 units.  
(3% of B.2.1/2) **2,06c**

**PLUS**

B.3.2 On single phase connections, an additional charge per kWh for every unit consumed above 1 500 units.  
(3% of B.2.3) **2,37c**

**PLUS**

On three phase Agric/Domestic connections and additional charge per kWh for every unit consumed above 3000 units.  
(3% of B.2.2) **2,19**

**TARIFF C**

- This tariff is available for three phase supplies at the available standard voltage with a minimum capacity of 100 kVA

- This tariff will suit high consumption customers

**C.1** A fixed charge, whether electricity is consumed or not, per month, per point of supply:

C.1.1	Agriculture and Domestic	<b>R1 491,35</b>
C.1.2	Business	<b>R1 491,35</b>
<b>C.2</b>	If the demand is registered during the months of June, July or August per point of supply: <b>(Agricultural/Domestic)</b>	<b>R175,61</b>
<b>C.3</b>	If the demand is registered during the months of September to May per point of supply: <b>(Agric/Domestic)</b>	<b>R113,35</b>
<b>C.4</b>	If the demand is registered during the months of June, July or August per point of supply: <b>(Business)</b>	<b>R154,59</b>
<b>C.5</b>	If the demand is registered during the months of September to May per point of supply: <b>(Business)</b>	<b>R75,91</b>
<b>C.6</b>	A consumption charge, per kWh consumed:	
C.6.1	If the kWh has been consumed during the months of June, July or August: <b>(Agric/Domestic)</b>	<b>R55,62</b>
C.6.2	If the kWh has been consumed during the months of September to May: <b>(Agric/Domestic)</b>	<b>R42,32</b>
<b>C.7</b>	A consumption charge, per kWh consumed:	
C.7.1	If the kWh has been consumed during the months of June, July or August: <b>(Business)</b>	<b>R55,92</b>
C.7.2	If the kWh has been consumed during the months of September to May: <b>(Business)</b>	

**R45,73**

**C.8** A discount according to the voltage at which the electricity is supplied:

C.8.1 If the electricity is supplied at three phase/400V:

**0%**

C.8.2 If the electricity is supplied at a higher voltage, but not exceeding 11 kV:

**3%**

C.8.3 If the electricity is supplied at a higher voltage than 11 kV (if available), but not exceeding 33 kV:

**5%**

## **TARIFF D**

This tariff is available for three phase bulk supplies at any voltage and with a minimum capacity of (*Old value 100 kVA*)

**100 kVA**

- This tariff will suit mostly large load customers who can shift load out of the GTM peak hour periods.

The following charges will be payable:

**D.1** A fixed charge, whether electricity is consumed or not, per month, per point of supply:

**R4 893.26**

**D.2** A demand charge, per kVA registered, per month, per point of supply:

D.2.1 If the demand is registered during the months of June, July or August:

**R40.62**

D.2.2 If the demand is registered during the months of September to May:

**R40.62**

*NOTE: Demand registered during Off-peak Hours will not be taken into account when calculating the demand charge payable.*

**D.3 A consumption charge, per kWh consumed:**

**D.3.1 If the kWh has been consumed during the months of June, July or August:**

**D.3.1.1 During Peak Hours **R2,149c****

**D.3.1.2 During Standard Hours **61,02c****

**D.3.1.3 During Off-Peak Hours **37,44c****

**D.3.2 If the kWh has been consumed during the months of September to May:**

**D.3.2.1 During Peak Hours **67.03c****

**D.3.2.2 During Standard Hours **44,08c****

**D.3.2.3 During Off-Peak Hours **32,90c****

*NOTE 1: For the purpose of this tariff Peak Hours will be from 07:00 to 10:00 and 18:00 to 20:00 on weekdays.*

*Standard Hours will be from 06:00 to 07:00, 10:00 to 18:00 and 20:00 to 22:00 on weekdays and from 07:00 to 12:00 and 18:00 to 20:00 on Saturdays.*

*Off-Peak Hours will be from 22:00 to 06:00 on weekdays, 12:00 to 18:00 and 20:00 to 07:00 on Saturdays and all of Sundays.*

*A Public Holiday falling on a weekday will be treated similar to the Eskom Mega flex Tariff schedule.*

*Times to be such as to relate to GTM peaks/load curve.*

**D.4** A discount according to the voltage at which the electricity is supplied.

D.4.1 If the electricity is supplied at three phase / 400V : **0%**

D.4.2 If the electricity is supplied at a higher voltage than 400V, but not exceeding 11 kV: **3%**

D.4.3 If the electricity is supplied at a higher voltage than 11kV (if available) but not exceeding 33 KV **5%**

**D.5** Conversion Surcharge

In line with the Eskom tariffs, existing customers converting to TOU, where an impact study shows a financial saving due to the conversion will be subject to a conversion surcharge. The surcharge will reduce by 18% after 12 months, down to 0% after 5 years.

The surcharge will be as follows:

1 – 12 Months	13-24	25-36	37-48	49-60
90%	72%	54%	36%	18%

A similar study will be done for existing customers that converted to the TOU tariff during 2004, based on their 2003 consumption pattern, and a surcharged levied in line with the time since they converted. For example, a customer that converted during February 2004, will as from the 1<sup>st</sup> of August 2005 be subjected to a surcharged of 72% of the calculated saving until February 2006, when the surcharge will be reduce to 54%.

- (u) That Council re-implement the 10 and 5 year (Refurbishment / Rebuilding) electricity programme approved in 2002.

(v) Credit Control

- I That Council's adopted Credit Control Policy be strictly adhered to, to curb outstanding debt.
- II That a monthly report be submitted to Council regarding Councillor arrears on consumer accounts.

**SUNDRY TARIFFS 2009/2010**

**ELECTRICITY**

That in terms of the provisions of section 11(3) of the Local Government Municipal Systems Act 2000, the Council by resolution amends the charges payable for the supply of electricity as contained in Municipal Notice No. 19 of 1988 and promulgated in Provincial Gazette no 4565 dated 1 June 1988 with effect from 1 July 2011 by the substitution for part (iii) of the tariff of charges of the following:

By the substitution for clause 2 (1) of the following:

**RECONNECTIONS (When reconnections are done by the Electricians of Council)**

Where premises are disconnected owing to non-payment of account or for non-compliance with any of the Council's By-Laws, or at the consumer's request, and then reconnected, the following charges shall be payable:

	<u>Working Hours</u>	<u>After Hours</u>
Up to 50 km	R150.00	R200.00
Over 50 km	R200.00	R250.00

**RECONNECTIONS (When reconnections are done by the Meter Readers)**

Where premises are disconnected owing to non-payment of account or for non-compliance with any of the Council's By-Laws, or at the consumer's request, and then reconnected, the following charges shall be payable:

		<u>CURRENT</u>	<u>PROPOSED</u>
I	Within the Tzaneen Town	R150.00	R 200.00
II	Outside the Tzaneen Town	R200.00	R 250.00
III	Illegal Connection Fine	R 0.00	R10 000.00

## PRE-PAID ELECTRICITY TARIFFS

The pre-paid electricity tariffs of Greater Tzaneen Municipality will be equivalent to the pre-paid tariffs of ESKOM.

## SERVICE CONTRIBUTION TARIFF

These tariffs are attached hereto as Annexure "Q".

## EVENTS

Due to high cost of maintenance and vandalism that is taking place, the following tariffs are recommended:

	SECURITY DEPOSIT	TARIFFS
Major Soccer game	R5 000	R10 000
Sport bodies at club level:Stadium	R 500	R 500
Sport bodies at inter-district level	R1 000	R 1 000
Athletics (Adults)	R1 000	R 1 000
Athletics (Schools)	R1 000	R 1 000
Meeting at Nkowankowa Community Hall		R50/hour

That 20% gate takings in respect of all events for which gate takings are collected be levied.

It is also recommended that Nkowankowa stadium be strictly used for sport.

Soccer Teams in the following divisions: NFD R500  
Vodacom R400  
Castle R200

Sporting codes: such as Tennis, Netball, Volleyball, Aerobics, Boxing, etc. R10 000

Annually training for 1 hour a day.

N.B. training from Mondays to Thursdays  
in the clubhouse and conference room to  
allow cleaning for weekend bookings.

Lenyenye stadium	R500 per day
Julesburg stadium	R300 per day
N.B. 20% gate takings in respect of all events for which gate takings are collected be levied.	
Julesburg Hall	R180 per day
Minitzani Hall	R180 per day
Clubhouse	R180 per day
Conference Room	R180 per day
Rent of Turner room (Haenertsburg Library)	R95 per day

#### COMMUNITY HALLS AT NKOWANKOWA AND LENYENYE TARIFFS PER DAY

Film Shows	R1 000
Fashion Shows	R1 000
Political Rally	R1 000
Traditional Dance	R1 000
Music competition / auditions, etc..	R1 000
Charitable Organization & NGO	R400
Wedding Ceremony	R1 000
Funeral Service	R500
Church Activities	R500
Meetings	R50 per hour

#### WATER CONNECTIONS - 19MM

That in terms of the provisions of Section 11 (3) of the Local Government Municipal System Act 2 000, the Council by resolution amends the charges payable for the supply of water contained in Municipal Notice 36 dated 22 September 1982 and published in Official Gazette no. 4226 dated 22 September 1982, with effect from 1 July 2011 by the substitution for item 3 of the following:

#### Miscellaneous Charges

- 1(a) For each separate 19 mm new water connection:  
R2 080 Vat included  
(Old Tariff R 2 000-00 VAT included)

- 1(b) For each new 50 mm water connection  
R7 280 VAT included  
(Old Tariff R7 000 VAT included )
- 1(c) For each new water connection bigger than 50 mm  
Actual cost plus VAT plus 10%
- 1 (d) For each water re-connection:  
R728 VAT included  
(Old Tariff R700 VAT included)
- 1 (e) For each disconnection:  
R728 VAT included  
(Old Tariff R350 VAT included)
- 1 (f) Water Tanker/kilolitre:  
R7 VAT included  
(Old Tariff R7 VAT included)

### **SEWER CONNECTIONS**

That in terms of the provisions of Section 11 (3) of the Local Government Municipal System Act 2000, the Council amends by resolution the charges payable in terms of the Drainage and Plumbing By-Laws and By-Laws for the Licensing and regulating of Plumbers and Drain Layers published under Municipal Notice No. 35 dated 22 September 1982, and promulgated in Official Gazette No. 4226 dated 22 September 1982 as follows with effect from 1 July 2011:

- 1(a) For each sewer connection  
R2 016 VAT included  
(Old Tariff R1 920 VAT included)
- 1(b) Sewer Honey Sucker Services  
R105/m<sup>3</sup> VAT included + R0.00/km from 0 – 60 km  
+ R2.50/km from 60-120 km  
+ R3.90/km from 120 km plus  
(Old Tariff R100/m<sup>3</sup> VAT included)
- 1(c) Domestic effluent by private tanker = R25/m<sup>3</sup>.
- 1(d) Domestic effluent by private discharger = R5.80/drum  
of 200L

1(e) Trade effluent from outside Municipal jurisdiction:  
R400/tanker

1(f) Trade effluent from within Municipal jurisdiction:  
R350/tanker

## **CHARGES FOR THE APPROVAL OF BUILDING PLANS**

That in terms of the provision of Section 11(3) of the Local Government System Act 2000 the Council by resolution amends the charges payable for the approval of building plans with effect from 1 July 2011 as set out in the schedule here under:

1. The charges payable for a building plan submitted for consideration shall be as follows:
  - 1.1 The minimum charge payable for any building plan with the exception of items 3 and 4: R300-00  
(Old tariff R270-00).
  - 1.2 The charges payable for any building plans shall be R4-00 per m<sup>2</sup> (Old tariff R3-50)
  - 1.3 To apply the abovementioned charges, the total area of any new building must be calculated at every floor level on the same erf, including verandas, galleries and balconies.
2. In addition to the charges payable in terms of item 1, a charge of 80c per m<sup>2</sup> (Old tariff 70c) of the reinforced area is payable for every new building in which structural steelwork or concrete is utilized for the main framework as the main structural components of the building.
3. Charges payable for approval of alterations to existing buildings and buildings of special character such as factory chimneys, spires and similar erections, shall be calculated on the estimated value thereof at the rate of R15 for every R500-00 or part thereof, with a minimum charge of R350-00 and a maximum charge of R3 300-00.
4. Building plans for swimming pools will be approved at a charge of R230-00 per plan (Old tariff R210-00).

5. Charges payable for the re-inspection of buildings and swimming pools: R340-00 per re-inspection (Old tariff R310-00).
6. Town maps: R170-00 per copy (Old tariff R150-00).

#### **BURIAL SERVICE: TZANEEN COST CENTRE**

That in terms of the provision of Section 11 (3) of the Local Government Municipal System Act 2000 the Council by resolution amends the charges payable for burial services promulgated under Municipal Notice 63/1996 of 18 October 1996 as set out in the under mentioned schedule with effect from 1 July 2011:

#### **SCHEDULE**

#### **TARIFF OF CHARGES: BURIAL SERVICES: TZANEEN**

1. When the deceased lived in the municipal area at the time of the passing:

Burial: Mondays to Fridays (08H00 to 17H00)

- 1.1 Per grave for any person under 12 years:  
R320-00  
(Old tariff R220-00)

- 1.2 Per grave for any person 12 years and over:  
R580-00  
(Old tariff R467-50)

- 1.3 Opening for second burial R350-00  
(Old tariff R231-00)

2. When the deceased lived outside the municipal area at the time of the passing:

Burial: Mondays to Fridays (08H00 to 17H00)

- 2.1 Per grave for any person under 12 years:  
R960-00  
(Old tariff R660-00)

- 2.2 Per grave for any person 12 years and over:  
R1 920-00  
(Old tariff R1 144-00)
- 2.3 Opening for second burial R960-00  
(Old tariff R264-00)
3. Niches: Per niche per deceased R364-00  
(Old tariff R264-00)
4. Memorial work: Removal or re-affixing to per memorial work R221-00 (Old tariff R121-00)
- 5.** Removal of ashes from a niche: Per removal R221-00  
(Old tariff R121-00)

## SCHEDULE

### ELECTRICAL CHARGES

That in terms of the provision of Section 11 (3) of the Local Government Municipal System Act 2000, the Council by resolution amends the charges payable for the supply of electricity as contained in Municipal Notice 19 of 1988, with effect from 1 July 2011 by the addition in part (iii) after clause (2) of the following:

#### TESTING OF METERS

		<u>OLD TARIFF</u>	<u>NEW TARIFF</u>
I	Rural	R2 000.00	R2 000.00
II	Town	R1 400.00	R1 400.00

### DETERMINATION OF CHARGES PAYABLE IN TERMS OF THE PROVISIONS OF THE TOWN PLANNING AND TOWNSHIPS ORDINANCE, NO. 15 OF 1986

Notice is hereby given in terms of the provisions of Section 11 (3) of the Local Government Municipal Systems Act 2000, that the Greater Tzaneen Municipality has by resolution determined charges payable in terms of the provisions of the Town Planning and Townships Ordinance, 1986 (No.15 of 1986), with effect from 1 July 2011 as set out in the Schedule below:

**CHARGES PAYABLE TO LOCAL AUTHORITIES IN  
TERMS OF THE PROVISIONS OF THE TOWN-PLANNING  
AND TOWNSHIPS ORDINANCE 1986 (NO. 15 OF 1986).  
FEES EXCLUDING ADVERTISEMENT AND INSPECTION**

		<u>OLD TARIFF</u>	<u>NEW TARIFF</u>
i	Application for consent	R1 050.00	R1 150.00
ii	Application for amendment of interim scheme	R1 150.00	R1 250.00
iii	Application for amendment of Town Planning Scheme	R2 300.00	R2 500.00
iv	Application for establishment of a township or land development area (DFA)	R4 200.00	R4 600.00
v	Application for removal of restrictive conditions in Title Deeds and/or amendment of Town Planning Scheme.	R2 300.00	R2 500.00
vi	Application for extension of boundaries of an approved township i.t.o. Section 88 (1) of Town Planning and Townships Ordinance, 15 of 1986	R2 300.00	R2 500.00
vii	Application for subdivision for property in 5 or less portions (Section 92 (1) (a) of Ordinance 15 of 1986 Regulation 293 and Regulation 188	R1 300.00	R1 400.00
viii	Application for subdivision for property in more than 5 portions (Section 92 (1) (a)) Ordinance 15 of 1986 Regulation 293 and 188	R1 300.00 for the first 5 portions plus R120 in respect of each further portion	R1 500.00 for the first 5 portions plus R130 in respect of each further portion
viii	Application for consolidation of properties	R520.00	R570.00

x	Application for other uses than residential on traditional land	R82.00	R90.00
xi	Application for Council's reasons and written consent	R440.00	R480.00
xii	Reimbursement of Chairpersons of Townships Advisory Committee established in terms of Section 59 or Ordinance 40 of 1960	R680.00/d	R750.00/d
xiii	Comments of Council regarding applications in terms of Act 21/1940 Act 70/1970 permit rights and recommendation of layouts to R293.	R1 300.00	R1 400.00
ix	Comments of Council on application i.t.o. Act 70/1970	R1 300.00	R1 400.00
xv	Amendment of pending division application – Section 17(3), Division of Land Ordinance, 1986	R1 100.00	R1 200.00
xvi	Amendment of pending Township application – Section 96, Town planning and Townships Ordinances, 15 of 1986 <ul style="list-style-type: none"> <li>• Amendment not material</li> <li>• Material amendment</li> </ul>	R1 100.00 R3 600.00	R1 200.00 R4 000.00
xvii	Phasing of Township Application – Section 99, Town Planning and Township Ordinance, 15 of 1986	R1 100.00	R1 200.00
xviii	Consideration of a Site Development Plan Tzaneen Town Planning Scheme, 2000	R1100.00	R1 200.00
Xix	Application for extension of time – All applications 1 <sup>st</sup> Application (Year 1) 2 <sup>nd</sup> Application (Year 2) 3 <sup>rd</sup> Application (Year 3)	R550.00 R550.00 R1 100.00 R1 650.00	R600.00 R600.00 R1 200.00 R1 800.00

## ADVERTISEMENT AND INSPECTION FEES

Apart from the fees prescribed in Section A, the following fees shall be payable to the Local Authority:

	<u>OLD TARIFF</u>	<u>NEW TARIFF</u>
1. Notice of application in Provincial Gazette and Newspapers	R2 420.00	R2 600.00
2. Inspection and hearing regarding any application	R1 050.00	R1 150.00

## ALLOCATION AND RATES FOR HAWKERS BUSINESSES

<u>Site Allocation</u>	<u>Type of Business</u>	<u>Rates</u>
Market Stall	Hairdressing Food and Soft drinks Fruit and Vegetables	R10/d R20/d R10/d
	Accessories and other Appliances (Cell/ Jeweler/hair/books) Clothing	R10/d R20/d
Pavements/Sidewalks	Fruit and Vegetables Accessories (Cell/Jewelery/Hair) Clothing and Toys	R5/d R5/d R10/d
Trolleys/Designated Cart	Food and Soft drinks Accessories Fruit and Vegetables	R10/d R5/d R5/d
Junction/Road side	Food and Soft drinks Fruit and Vegetables Décor materials (flower pots/flowers, etc.)	R10/d R10/d R10/d
Open designated site	Hawkers fee centre of town Adv. of Board handling fee Adv. Board Approval fee	R40.00 R500.00 R500.00

Hawkers Bush Mechanics	
	R500.00
Hawkers Car wash	
	R500.00
Taxi & Busses	R1 000.00

## REVENUE

Refer to drawer cheques (R/D) – Admin Fee  
 Current R164.00 and Proposed R164.00

Unpaid debit orders – Admin fee  
 Current R164.00 and Proposed R164.00

Supply of information (faxes)  
 Current R5.90 and Proposed R6.20

Supply of Duplicate statements  
 Current R5.90 and Proposed R6.20

Furnishing of Clearance Certificate  
 Current R22.00 and Proposed R25.00

Furnishing of Valuation Certificate  
 Current R36.00 and Proposed R40.00

Furnishing of Duplicate Clearance Certificate  
 Current R16.00 and Proposed R20.00

Final reading levy  
 Current R40.00 and Proposed R40.00

Credit Control Action – Friendly Reminder Fee  
 Current R33.00 and Proposed R35.00

Copy of the Valuation Roll  
 Current R493.00 and Proposed R750.00

All above tariffs are VAT excluded.

**RENTAL OF UNIMPROVED PORTIONS OF THE FARM  
LETABA FLYING CLUB 512**

<b>Hanger number</b>	<b>Area/m<sup>2</sup></b>	<b>Rental per Month</b>
1 <sup>a</sup>	432	R660
1	112	R170
2	202	R309
2 of B2	492	R752
4	662	R1 012
5	228	R350
6	175	R268
7	130	R200
8	143	R218
9	213	R325
10	287	R439
12	441	R675
15	210	R321
16	247	R378
17	210	R321
18	245	R375
23	222	R340
24	380	R580
28	130	R200
29	183	R280
B1 of 61	234	R358

**LANDING FEES**

Single motor aircraft:	R50 per landing
Double motor aircraft:	R100 per landing
Helicopter:	R30 per landing
Parking fees:	R20 per night

**CLEANING OF STANDS**

Cleaning of overgrown stands      R0.35c/m<sup>2</sup>      R0.50c/m<sup>2</sup>

**CHARGES PAYABLE FOR THE USE OF THE PUBLIC LIBRARIES**

Members of the Tzaneen Library    R65.00 or R150/family

Members of the Haenertsburg or Letsitele Libraries                  R32.00 or R75/family

Deposit	R150,00 per person
Duplicate certificate of Membership	R10.00
Overdue Library material	R1,00 per day
Block loans	R140.00 per year plus membership of person responsible for block loan.

### **PHOTOCOPIES**

A4 Photocopy	R0,50 per page
A3 Photocopy	R1,00 per page

Copies printed from the Internet and copies of documents created by library users:

Black & White	R3.50 per page
Colour	R6.50 per page

Rent of Minitzani Hall	R150.00 per day
------------------------	-----------------

Rent of the Tzaneen Library Study Hall (After hours)	R190.00 per day
--	-----------------

### **LICENCING TARIFFS**

#### Poster

With regard to posters the amount of R10.00 per advertisement of which R5.00 is refundable.

#### Election Posters

An once only R150,00 deposit per candidate/applicant per election, as well as an amount of R300.00 per applicant candidate per election which is not refundable. Total amount R450.00.

#### Pamphlets

An amount of R200.00 per applicant which is not refundable.

#### Advertisement – Properties

With regard to advertisement of the selling of properties, an amount of R450.00 per calendar year or any part thereof.

Banners

With regard to banners, an amount of R200.00 of which R125.00 is refundable.

Dog Tax

Application for dog tax (Licensing) R40,00 amount payable per dog.

**AMENDMENT TO DETERMINATION OF CHARGES FOR THE FURNISHING OF INFORMATION AND DOCUMENTS**

It is hereby notified in terms of Section 80B(8) of the Local Government Ordinance, 1939 (Ordinance 17 of 1939), read with Section 10G(7) of the Local Government Transition Act, 1993, read with Section 11 (3) of the Local Government Municipal Systems Act 2000, that the Greater Tzaneen Municipality has by special resolution further amended the charges payable for the furnishing of information and documents, contained in Municipal Notice no. 24 dated 29 July 1981, and published in Provincial Gazette, No. 4157 of 29 July 1981, with effect from 1 July 2011 as follows:

a) Written information: for every folio of 150 words or part thereof:

R7,50

b) Continuous search for information:

- For the first hour R46,00
- For every additional hour or part thereof R25,00

c) Photostatic Copies (per copy) R0,75

d) Faxes:

- i. Faxes received (per A4 copy) R3,50
- ii. Faxes dispatched (per A4 copy) R3,50

e) Duplicating Work:

Per folio	R0,35
Per master	R0,35

## 4. **THE BUDGET**

### **EXECUTIVE SUMMARY**

#### INTRODUCTION

The 2011/2012 Expenditure Budget totaling R753 million has been drafted in the context of an economic recession and the challenges thereof. Although economists predict an upward trend in the economy, spending plans will have to be managed to ensure long-term sustainability.

The 2011/2012 MTREF has been drafted in line with Government's emphasis on the acceleration of service delivery to our people and is informed by the Municipality's IDP with emphasis on affordability and long-term sustainability.

The guidelines contained in National Treasury's MFMA Circular no. 51 have also been taken into account with the drafting of the budget and the budget format and content are according to the Municipal Budget and Reporting Regulations.

#### (A) SUMMARY OF THE TOTAL SERVICE DELIVERY PACKAGE AND FINANCIAL IMPLICATIONS

The budget is approved by National Treasury and Provincial Treasury on Vote level but to get an overall picture of the Revenue and expenditure for the next 3 years the revenue and expenditure per item need to be discussed.

The following table is a summary of all revenue and expenditure on item level:

ITEM	Budget 2010 2011	BUDGET 2011 2012	Budget 2012 2013	Budget 2013 2014
<b>INCOME</b>				
001 PROPERTY RATES	-42,463,514	-45,591,966	-47,871,564	-50,265,143
003 PENALTIES IMPOSED AND COLLECTION CHARGES ON RATES	-2,500,000	-3,161,860	-3,319,953	-3,485,951
005 SERVICE CHARGES	305,758,974	-366,832,043	-385,173,645	-404,432,327
009 RENT OF FACILITIES AND EQUIPMENT	-458,914	-233,006	-244,656	-256,889
011 INTEREST EARNED - EXTERNAL INVESTMENTS	-550,000	-51,000	-53,550	-56,228
012 INTEREST EARNED - OUTSTANDING DEBTORS	-7,000,000	-14,684,720	-15,418,956	-16,189,904
016 FINES	-2,230,707	-2,330,136	-2,446,643	-2,568,975
018 LICENSES & PERMITS	-276,250	-303,250	-318,413	-334,333
020 INCOME FROM AGENCY SERVICES	-32,743,425	-51,529,515	-54,105,991	-56,811,290
022 OPERATING GRANTS & SUBSIDIES	264,538,000	-289 631 000	-304 112 550	-319 318 178
024 OTHER REVENUE	-1,407,178	-3,791,783	-553,966	-581,665
026 GAIN ON DISPOSAL OF PROPERTY PLANT & EQUIPMENT	-1,500,000	-1,500,000	-1,575,000	-1,653,750
031 INCOME FOREGONE	8,946,405	16,165,518	16,973,794	17,822,484
	-	652,480,557	-763 474 761	-798 221 093
				-838 132 148

EXPENDITURE	Budget 2010 2011	BUDGET 2011 2012	Budget 2012 2013	Budget 2013 2014
051 EMPLOYEE RELATED COSTS - WAGES & SALARIES	136,792,123	143,533,841	150,710,533	158,246,060
053 EMPLOYEE RELATED COSTS - SOCIAL CONTRIBUTIONS	25,884,573	28,492,504	29,917,129	31,412,986
055 EMPLOYEE COSTS CAPITALIZED	-6,605,350	-6,605,350	-6,935,618	-7,282,398
056 EMPLOYEE COSTS ALLOCATED TO OTHER OPERATING ITEMS	-74,936,743	-74,330,221	-78,046,732	-81,949,068
058 REMUNERATIONS OF COUNCILLORS	16,070,480	17,033,861	17,885,554	18,779,832
060 BAD DEBTS	11,815,140	13,728,913	14,415,359	15,136,127
062 COLLECTION COSTS	100,000	200,000	210,000	220,500
063 INVENTORY SURPLUS/LOSS	0	0	0	0
064 DEPRECIATION	24,917,316	94,791,099	99,297,375	104,262,244
066 REPAIRS AND MAINTENANCE	108,283,875	122,835,209	128,976,969	135,425,818
068 INTEREST EXPENSE - EXTERNAL BORROWINGS	14,372,514	17,087,994	17,942,394	18,839,514
072 BULK PURCHASES	172,660,104	208,711,937	219,147,534	230,104,911
074 CONTRACTED SERVICES	59,813,589	76,800,826	80,640,867	84,672,911
076 GRANTS & SUBSIDIES PAID	48,492,051	30,852,349	31,487,561	33,061,939
078 GENERAL EXPENSES - OTHER	70,844,047	79,704,606	78,964,836	82,913,078
	608,503,719	752,837,568	784,613,762	823,844,450

<b>ABC</b>	<b>Budget 2010 2011</b>	<b>BUDGET 2011 2012</b>	<b>Budget 2012 2013</b>	<b>Budget 2013 2014</b>
043INTERNAL RECOVERIES	-63,438,379	-62,695,815	-65,830,606	-69,122,136
087INTERNAL CHARGES	63,438,379	62,695,815	65,830,606	69,122,136
	0	0	0	0

<b>CAPITAL</b>	<b>Budget 2010 2011</b>	<b>BUDGET 2011 2012</b>	<b>Budget 2012 2013</b>	<b>Budget 2013 2014</b>
600INFRASTRUCTURE	107,517,050	68,376,400	71,795,220	75,384,981
602COMMUNITY	0	0	0	0
608OTHER ASSETS	5,835,686	0	0	0
610SPECIALISED VEHICLES	12,200,000	0	0	0
	125,552,736	68,376,400	71,795,220	75,384,981

<b>APP</b>	<b>Budget 2010 2011</b>	<b>BUDGET 2011 2012</b>	<b>Budget 2012 2013</b>	<b>Budget 2013 2014</b>
089CASH REQUIREMENTS	15,000,001	27,407,611	31,216,270	32,777,083
094CONTRIBUTIONS FROM OPERATING TO CAPITAL	10,000,000	0	0	0
095TRANSFERS FROM / (TO) RESERVES	-17,920,213	-85,146,818	-89,404,159	-93,874,367
	7,079,788	-57,739,207	-58,187,889	-61,097,284
<b>GRAND TOTAL</b>	<b>88,655,686</b>	<b>0</b>	<b>0</b>	<b>2</b>

The total revenue for the 2011/2012 financial year amounts to R763 million, which represents an increase of R111 million over the 2010/2011 financial year. This increase is mainly due to the increase in service charges, external grants from central Government and income from agency fees.

The total revenue budget includes an amount of R176 million which represents the equitable share allocation to the Greater Tzaneen Municipality.

An amount of R45 million will be levied by way of property tax and R366 million will be sourced from user charges. Borrowed funds are limited to R50

million and will only be used to finance capital expenditure as determined in Section 18 of the MFMA.

An amount of R753 million has been made available on the operational budget for expenditure. This substantial increase is largely due to the significant increase in repairs and maintenance, contracted services, depreciation and ESKOM's tariff for bulk electricity purchases. The amount also includes R143 million for salaries, R123 million for repairs and maintenance and R209 million for the purchase of bulk electricity and water.

An amount of R118 million has been allocated for capital expenditure for the 2011/2012 financial year. This amount includes the MIG allocation of R44 million which will be spent on roads as well as an amount of R39 million for roads from own sources and grants.

It also includes an amount of R26 million for electricity projects.

(B) THE EFFECT OF THE ANNUAL BUDGET

The growth of Council's Medium-Term Revenue and Expenditure Framework (MTREF) is based on a combination of factors of which, the most important is the fact that National Treasury advised Council not to increase its budget due to financial constraints as well as the global economic recession which is still in the recovery phase.

National Treasury also caution Municipality's not to materially and unreasonably prejudice national economic policies particularly those on inflation and that cognizance must be taken of Section 3 of the Municipal Budget Circular of the 2010/2011 MTREF which determines the following:

**Revising rates tariffs and other charges.**

***"National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as practically possible."***

The increases prescribed by National Treasury in Circular no 54 are 20,38% for electricity and 6% for rates, tariffs and other charges.

The operating budget, of Greater Tzaneen Municipality reflects the following increases:

• Property rates 6%  
Revenue increases to consumptive tariff-based services are:

• Electricity	20,38%
• Water	6%
• Sanitation	6%
• Solid Waste	6%

Expenditure categories as a % of total expenditure:

• Staff cost	22,9%
• Bulk Purchases	27,7%
• Repairs & Maintenance	16,3%
• General Expenses	10,5%

All tariff increases are within the guidelines set by National Treasury which confirms that Greater Tzaneen Municipality does not prejudice National Economic Policy on Inflation.

(C) PAST AND CURRENT PERFORMANCE ACHIEVEMENTS

**MUNICIPAL MANAGER'S DEPARTMENT**

**DISASTER MANAGEMENT SECTION**

• **Incidents:**

Incidents that are likely to occur within the Greater Tzaneen Municipality's jurisdictional area are fires, windstorm and rainfall. Assessment was done on houses damaged and disaster relief materials were given as follows: 27 Blankets, 27 Mattresses.

- **Other related disaster activities:**

Forty learners from N'wamitwa Primary school who were suspected of having swine flu virus symptoms were taken to hospital. A second report was from Leretjene Village (Maloti School) of which 149 learners with the symptoms were also taken to hospital. Onsite screening was done by doctors and nurses. The General Manager of the Department of Health sanctioned the N'wamitwa day celebrations to continue as planned as cases were regarded as mild.

- **Awareness campaigns and projects done:**

Road safety awareness campaign, disaster victim's awareness campaign, Road show on swine flu, fire awareness campaign, H1N1 immunization campaigns and Fifa World Cup road show.

- **Special events attended:**

Tzaneen Air Show, Letaba Show, Mayoral Inauguration. For the district Executive Mayor, N'wamitwa day celebrations, mass funeral of the five soccer players, Siyabonga Rally, soccer match between Dynamos v/s Witbank Black Aces and sports heroes against HIV/AIDS.

### **Internal Audit Activity - July 2009 To Date**

The Internal Audit has performed risk assessment for all departments, developed institutional risk register, compiled three year strategic and annual plan and reviewed the Internal Audit charter. All the above mentioned documents have been approved by the Audit Committee and the Municipal Manager. Amongst our activities we also submitted four quarterly reports to the Audit Committee and issued nine queries to management.

## **Integrated Development Plan**

- IDP Preparatory Phase:

Council approved the IDP, Budget and PMS Process Plan on the 24<sup>th</sup> August 2010.
- IDP Analysis Phase:

The IDP Preparatory and draft Analysis Phase were presented to the IDP Representative Forum on the 18<sup>th</sup> August 2010. Council approved both phases on the 24<sup>th</sup> August 2010.
- IDP Strategies Phase:

The Executive Committee and Management held an IDP, Budget and PMS Strategic Planning Workshop on the 19<sup>th</sup> – 21<sup>st</sup> October 2010 to review and develop strategies for the institution.
- IDP Project Phase:

The draft Project Phase was presented to the IDP Representative Forum on the 23 February 2011 and approved by Council on the 28 February 2011.
- IDP Project Phase:

The draft Integration Phase was presented to the IDP Representative Forum on the 23 February 2011 and approved by Council on the 28 February 2011.
- Approval Phase:

The 2011/2012 Draft IDP was approved by Council on the 23<sup>rd</sup> February 2011 and the final one to be approved by Council on the 29<sup>th</sup> April 2011.

## **Performance Management**

The SDBIP was approved by the Mayor on the 19<sup>th</sup> of August 2010 and is being implemented. The first quarter SDBIP report could not be sent to Council as Internal Audit was unable to validate the information. All Section 56/57 Managers have signed performance agreements for 2010/2011. Performance Plans for Managers (Heads of Divisions) have yet to be concluded for 2010/2011. The individual performance evaluation for 2009/2010 has been concluded and draft reports have been circulated. Quarterly performance assessments aimed at monitoring performance could not be held during 2010/2011 as the scorecards has still not been finalized with performance plans of Managers outstanding.

The PMS policy is in the process of being revised with an incentive system for all level of employees being included. The cascading of PMS to all levels of employees would require additional human resources to manage the process. The Annual Report for 2009/2010 is being drafted. Internal Auditing of the PMS have not yet taken place. Auditing of performance reports remain a challenge due to human resource and capacity constraints, as this is a new field of operation.

## **FINANCIAL SERVICES DEPARTMENT**

### **Multi Year Budgets (3 Years)**

- The 2011/2012 Preliminary, Operational and Capital Budgets, which are based on the new financial structure as prescribed by National Treasury were done.
- The contents of the budgets and the budget processes that were followed are according to the requirements as set out in Chapter 4 of the Municipal Finance Management Act.

## **Internal Processes**

All Financial / Accounting records are updated on a monthly basis.

## **Financial Reporting**

All the Financial Reports required by the MFMA are completed and submitted to the MEC, NT, Mayor and Council on or before the dates stipulated in the Act.

## **Financial Statements**

- The 2009/2010 Financial Statements were compiled during August 2010 in accordance with the new format required by National Treasury and are GRAP compliant.
- The Financial Statements have been hand delivered to the Auditor, National Treasury and MEC on 31 August 2009.

## **Revenue**

The municipality managed to collect an amount of R542 347 271 compared to the budgeted amount of R579 558 355 and this represents 94% of the budget.

Revenue collected from services represents 97% of revenue budgeted from services. Actual amount collected for services is R247 145 583 and the budgeted is R255 425 966. The Municipality had indigents amounting to 7 339 who benefited from free basic electricity and 30 029 who benefited from free basic water during the year.

Outstanding debtors compared to prior year has increased and this is due to credit control and debt collection policy not being implemented in full for townships which is Lenyenye and Nkowankowa due to both areas on electricity being serviced by Eskom and this is the main strategy that the Municipality is using in terms of performing reconnections of services as water is life.

## **Supply Chain Management**

A Supply Chain Management Unit has been established within the Budget and Treasury Office. This Unit is responsible for all procurement processes of the Municipality. Council has in this regard approved a Supply Chain Management Policy to regulate activities of the Unit. The officials engaged within the Unit have undergone the training offered by SAMDI for Municipal Supply Chain Officials. The head of the unit has been appointed who also chairs the Evaluation Committee and the Chief Financial Officer chairs the Adjudication Committee.

## **Financial Recovery Plan**

An internal financial recovery plan was in place during the financial year. This plan was intended to ensure that the Municipality is returned to financial viability. The plan was submitted to both Provincial and National Treasury and the Department of Local Government. A team has been set up comprising of officials from these institutions and the Municipality that are responsible for ensuring that the recovery plan bears the intended fruit.

## **ENGINEERING SERVICES DEPARTMENT**

Engineering Services Department was commissioned to render basic services that include but not limited to roads and storm water, water services, building and fleet management as well as project management unit which is tasked with implementation of infrastructure projects. This mandate is distributed amongst 126 villages in 34 wards within Greater Tzaneen Municipality.

There are more than 2100 km of roads within Greater Tzaneen Municipality. Some needs maintenance whereas others need to be rehabilitated due to their respective conditions. The shortage of funds resulted in some roads being re-graveled to improve their status and condition, while those earmarked for being paved were not attended to. Graighead Bridge was constructed and completed by internal staff. Almost 50 meters of storm water pipes were installed in

various villages. All internal streets at Nkowankowa B and Mbambamencisi were re-graveled. All internal streets in all four clusters to the total of 600 km were graded. Up to 300 km of roads were graded to assist on bad roads during funerals and special occasions. More than 70% of the sand seal roads proved to be ineffective as they got damaged before the community can start to enjoy driving on them.

Municipal buildings and offices were maintained and repaired as scheduled. However, it must be noted that the current maintenance budget is not enough to cater for all buildings, especially where new and extra offices for new staff are required.

Many developments were kept on hold due to insufficient water quota allocated to Greater Tzaneen Municipality. Greater Tzaneen Municipality has an allocation of 3 600 000m<sup>3</sup>/annum for both Georges Valley and Tzaneen Dam. Application for an increase of allocation to 6 000 000,m<sup>3</sup>/annum has been made to Department of Water Affairs. It must however be noted that the shortage of water hinders development.

540 RDP houses were connected with both water and sewer. Installation of water and sanitation network in Mbambamencisi is 80% complete. 1682 VIP toilets were built for our communities. Greater Tzaneen Municipality received Blue Drop Water certificate for Tzaneen and Letsitele water supply systems. Water Laboratory in Tzaneen Dam was evaluated for Z-scores competency participation by SABS, and found competent.

The following projects were done by PMU; Marumofase access road, Sedan internal streets, Mamitwa Taxi Rank, Tzaneen Rural Waste removal Phase 2, Mairione Access road, Ramotshinyadi Internal Streets Phase 1, Hweetji Access Road, Makhefora Access Road, Pharare Access Road, Gavaza Access Road and Sasekani Access Road. It must be considered that there is still a huge backlog in roads infrastructure which needs funding.

In order to be competitive, Engineering Services Department intends and vows to protect the Provincial Greenest Municipality and Green Drop Awards, which eventually will keep us complying with all environmental requirements.

## **ELECTRICAL ENGINEERING DEPARTMENT**

The electricity distribution system which includes in excess of 2 000km of overhead lines and total assets of an estimated R1.5 billion performed below standards as a result of the historical minimal capital and operating funds allocated. Concerns of the system deteriorating faster than the refurbishment process were reinforced by the problem of capacity more especially in Tzaneen Town resulting in unplanned power interruptions, highlighting the weaknesses of the distribution system created by sustained under re-capitalization into the system. Further development has been suspended due to insufficient electrical capacity. Various steps are however afoot to source alternative funding to upgrade the system. It needs to be noted that the current state of the electricity system and the under reinvestment into the system is considered a serious safety and performance concern.

Council procured a R30 million loan which is being used to initiate the capacity recovery program in the Tzaneen CBD and surrounding area. Unfortunately the project still requires a further R80 million before the CBD capacity crisis will be totally resolved. The project is well on track for December 2011, when limited capacity will be available.

Local internal load shedding will become an everyday occurrence as saving and efficiency receiving mixed results from the various sectors of the community.

Despite the above mentioned concern, the 88 appointed personnel of the Electrical Department have however put in a valiant effort in keeping outages and faults to a minimum. There are 33 vacant positions. No overhead lines were built due to no capital funding, a total of around 53 new connections were supplied.

The rural villages and small rural towns of the Greater Tzaneen Municipality are within Eskom's licensed area and will remain as such for the foreseeable future as cabinet has shelved the RED's initiative.

The Electrical Department acquired funding from DME for electrification of Settlements and Farm Worker Housing in the Greater Tzaneen Municipality distribution network. A total of 527 farm worker houses received pre-paid electrical connections.

With this large farming community (3 500 square kilometers) and the towns of Tzaneen, Letsitele, Haenertsburg, Gravelotte and Politsi within its distribution area, the Electrical Department has, and will continue to be the leader in the business of electricity distribution amongst municipalities.

The Services Contribution Policy is approaching finality and once implemented will become a useful tool which will assist in addressing the maintenance and capital backlogs within the distribution system.

## **CORPORATE SERVICES DEPARTMENT**

The Corporate Services Department is responsible for providing administrative support, communication and marketing, human resources, legal, public participation and project support as well as IT services to Council. The performance highlights per division are as follows:

### **ADMINISTRATIVE SUPPORT**

- Implementation of decisions management on Collaborator system.
- A client satisfaction rating of 80,2% was achieved
- All Council agenda and minutes were distributed within prescribed time period.
- Statistics of Councillors attendance to Council and Exco meetings were kept in the prescribed manner.

- The establishment of the Events Coordinating Committee.
- The electronic records process implemented now fully functional and utilized (workflow of incoming and outgoing correspondence).
- Implementation of a new file plan

## COMMUNICATIONS AND MARKETING

- Communications and Marketing Manager and 2 Liaison Officers were appointed.
- Communication strategy was reviewed and approved by Council last year (2010).
- The division has organized, hosted and/or assisted with the following events: SAIMSA games, INAS-FID football tournament, Mayor's summer's tournament, 16 Days of Activism against Woman and Child Abuse event and Mayoral Imbizo's and were all successful.
- External Newsletter was published and distributed to officials, communities, libraries, Thusong Service Centres, Tribal Authorities and other municipalities.
- Mayor's arrive alive awareness campaign was conducted which for the festive season.
- Several media briefings were successfully conducted which strengthened the municipality's relationship with the media and boosted the image and reputation of the municipality.
- Thusong Services Centres and other Municipality's events were successfully marketed and branded.

## HUMAN RESOURCES

- New aligned organogram compiled during the 1<sup>st</sup> half of 2009.

- Comprehensive skills audit conducted for all staff including DWAE staff.
- WSP compiled by using electronic data from the comprehensive skills audit.
- Update of HR Ringfencing for RED 6 was done.
- Employment Equity Project sustained with focus on gender and disability.
- Local Labour Forum (LLF) sustained.
- Sustained the OHS Management system and conducted OHS Risk Assessment.
- Employee Wellness project was rolled out and two Employee Wellness Days arranged successfully.
- Mr. Tienus Visser received the IMPSA Practitioner of the Year Award for 2009.

#### LEGAL SERVICES

- Over 2 000 verbal and written opinions have been provided to Council.
- That 5 conciliation has been concluded.
- Four disciplinary hearing have been concluded 5 arbitration have been concluded
- 1 High court matter has been concluded.
- 4 High court matters are in the middle of being finalized.
- 48 SLA have been drafted in house.
- 22 Legal Advices have been provided in respect of external SLA.
- 40 Legal Opinions were drafted.

- 80% of Nkowankowa C Township has been registered and title deeds are with the Municipality.
- PUBLIC PARTICIPATION AND PROJECT SUPPORT**

- All the 34 wards were established and are fully functional.
- The establishment notice for ward committees have been amended to be in line with the new legislative framework.
- The process of resuscitating the Community Based Planning is in place.
- The Division is fully supporting all the departments during implementation of projects.
- All 4 Thusong Centres are functional and fully utilized by communities.
- Public Participation Strategy was adopted and approved by Council.
- Administrative support to Ward Committee.

**PLANNING & ECONOMIC DEVELOPMENT  
DEPARTMENT**

PVA (Public Viewing Area)

Greater Tzaneen Municipality successfully launched 4 matches during the FIFA World Cup.

NDPG (Neighbourhood Development Partnership Grant)

Over and above the quick win projects which were implemented at Nkowankowa a comprehensive project document has been developed. Council can identify and fund projects for Dan, Lenyenye and Nkowankowa beyond the project period.

Local Tourism Association

Greater Tzaneen Municipality established a Local Tourism Association (as guided by Limpopo Tourism

and Parks) to forge a working relationship with the private sector on tourism matters.

#### Departmental Strategic Session

Held on 29 and 30 October 2009.

#### Housing Demand Database Project

Greater Tzaneen Municipality served as a pilot for LG&H (Local Government & Housing) for the development of database compilation for housing applications.

#### Housing units allocated by LG&H for 2009/2010

Nkowankowa (Dan Extension 1 & 2)	540 units
Mbambamencisi	500 units
Mandhakazi	100 units
Lephepane	100 units
Mariveni	50 units
Disaster	20 units

#### Hawkers Feasibility Study

The study is completed and it was funded by the European Union. The LED Division is implementing the outcome of the study. Hawkers in the centre of town will be piloted in terms of payment, contract development and permits. Forty sites have already been identified for the pilot.

#### Land Claim Support

The Municipality has coordinated 4 meetings on land claim support whereby all beneficiaries/Community Property Association and Trusts were invited. The purpose is to address problems identified by Community Property Association/Trust with regard to land transfers, title deeds, funding, etc., with regard to their farms.

#### Tours Peppadew

The project is a partnership between Tours Cooperative/Emergent farmers and Peppadew

International. The project is supported by the Municipality, Dept of Agriculture and SEDA. This financial year the project has created 720 job opportunities and the 15 farmers received R15 000 each as part of the profit sharing.

GTEDA (Greater Tzaneen Economic Development Agency)

On the implementation phase and completed feasibility studies and focused on the following:

- Letaba River Mile, livestock improvement, Subtropical Fruit & Nut Cluster, new shopping centres, Sapekoe Tea Estate, Community Radio Station, Business Support Centre.

#### **Spatial Development Framework & LUMS**

Approved by Council. Demarcation of rural sites allocated by LG&H (2100 sites) Maribathema, Leola, Mawa 12.

#### **Mefakeng Project (Irish funded project)**

5 Rural/town tourism establishments constructed and project closing phase extended to June 2010 – Nkowankowa Township, Mohlaba, Dan, Bathlabine tented camp. Private partners to be identified to carry on with the initiative.

### **COMMUNITY SERVICES DEPARTMENT**

Community Services Department comprises of six divisions which are Waste Management, Licensing, Law Enforcement, Environmental Health, Libraries and Parks, Cemeteries, Sports and Recreation

#### **Law Enforcement Services**

The Division renders Traffic Law Enforcement for By-Laws, checking speed, escorts, roadblocks, point duty, etc.. The Division is also responsible for road safety. From 1 July 2010 to 31 December 2010, 21546 traffic fines to the value of R4 267 010.00 was issued and attended 69 accidents.

## **Licensing Services**

The Division is responsible for licensing of drivers and vehicles. During that period:

Learners Licenses applications	2 211
Learners Licenses issued	1 174
Driver's Licenses issued	3 781
Vehicles Licensed	12 662
Vehicles Registered	3 054
Traffic Fine Payments	4 196

## **Library Division**

Library Services provide valuable information to the community and promote a culture of reading. From 1 July 2010 to 31 December 2010. 51972 Library users benefited from the information resources available in the libraries.

58890 Books/magazines were circulated.

50 School groups were hosted.

2 Holiday programmes were hosted, with the emphasis on arts and crafts, using inexpensive materials.

9 Book-related events were hosted.

701 Learners participated in the annual library competition.

62 Topical, educational displays were held.

## **Parks, Sports & Recreation, Arts and Culture**

### **Usage of facilities**

- Swimming pool is closed due to maintenance challenge.
- Tennis courts were booked by 500 people in Nkowankowa
- Nkowankowa, Lenyenye stadium and Julesburg bookings were 989
- Club house 58 times

- Projector room at community hall was booked 89 times
- 3 x Community halls at Nkowankowa, Minitzani and Lenyenye were booked 840 times combined.
- Museum was visited by 4000 visitors
- Township entrance development was done in Nkowankowa x 2

The grass cutting was done in these areas:

- Sidewalks – 824535m<sup>2</sup>
- Parks, Recreational and developed – 3002345m<sup>2</sup>
- Open spaces – 901626m<sup>2</sup>
- Sport facilities – 1004593m<sup>2</sup>

NB: Grass cutting work depends on rain.

### **Cemeteries**

The following cemeteries are maintained:

The Lenyenye, Nkowankowa, Tzaneen, Old Letaba and Haenertsburg are maintained daily.

Total number of funerals:

Adults	319
Children	39
Paupers	8
Muslim	5

Number of graves opened:

Nkowankowa	60
Lenyenye	43
Haenertsburg	4
Tzaneen	43

Graves opened for second burial were 5 and no exhumations were done.

NB: Children's graves are excavated manually and 03 graves are kept open on weekly.

Adult's graves in Parks area 1-80-10 graves are kept on continuous basis. In Tzaneen Cemetery two adult, one child, 3 Muslim and 1 Pauper grave are kept open continuously. In Haenertsburg graves are opened when needed.

#### **Sport events held and prepared**

Heroes walk against Aids, OR Tambo Games, Indigenous games I can sing competition, PVA 2010 Nkowankowa Stadium preparations, GTM Jazz Festival preparations, NDPG tasks meetings for development of entrances, Nkowankowa cemetery upgrade. SAIMSA Games. Soccer Turf development preparations at Burgersdorp.

#### **(D) CONSOLIDATED FINANCIAL POSITION**

The 2010/2011 Budget which is submitted to Council for approval can be summarized as follows:  
Operating Expenditure by Vote / Department

<b>DEPARTMENT</b>	<b>2010/2011</b>	<b>2011/2012</b>	<b>2012/2013</b>	<b>2013/2014</b>
Municipal Manager	7 677 655	7 756 280	8 124 995	8 531 245
Planning & Economic Dev.	31 348 742	31 673 579	32 816 420	34 457 241
Financial Services	41 317 927	48 329 427	45 853 054	48 145 707
Corporate Services	52 698 098	56 276 994	59 063 495	62 016 670
Engineering Services	130 330 089	185 920 071	195 216 075	204 976 879
Community Services	102 303 489	129 353 554	135 335 677	142 102 461
Electrical Engineering	242 827 719	293 527 663	308 204 046	323 614 248
<b>TOTAL</b>	<b>608 503 719</b>	<b>752 837 568</b>	<b>784 613 762</b>	<b>823 844 450</b>

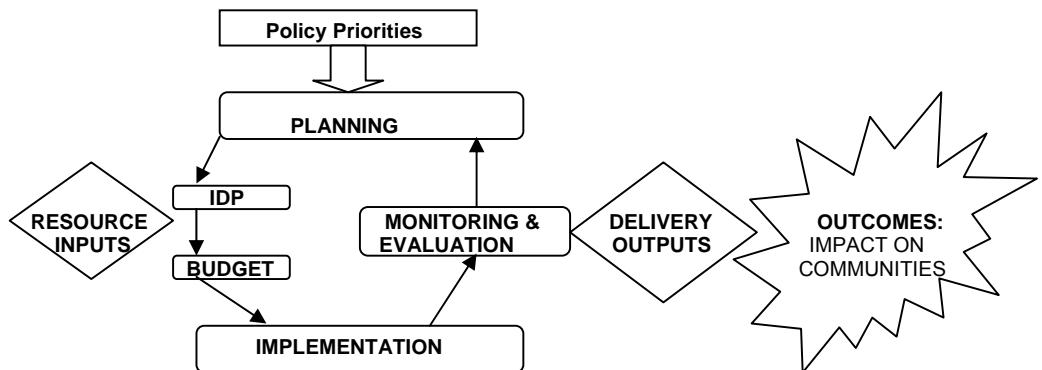
#### **(E) MUNICIPAL PRIORITIES AND LINKAGES TO THE IDP**

The strategies objectives of Council are informed by the national priorities arising from the 2009 national electoral mandate and the Limpopo Economic Growth and Development Plan. Key to our focus as municipality is the following priorities:

- Maintenance of municipal infrastructure
- Addressing service delivery backlogs

- Rural development

The process that was followed to ensure that the abovementioned political priorities are linked with the IDP and budget is as follows:



All the operating and capital projects in the 2011/2012 reviewed IDP have been evaluated through our prioritization system to ensure that the IDP, budget and performance targets are aligned. The IDP forms the basis of this process and all resources are focused on combining the different strategies in attaining our vision.

#### (F) KEY AMENDMENTS TO THE IDP

##### ✓ Preparation Phase

Amendments were made to the IDP, Budget and PMS Process plan to align with MFMA Circular 54.

##### ✓ Analysis Phase

- No amendments were made.
- However, extensive analysis was made on the current status quo of Council.

##### ✓ Strategies Phase

- Amendments were made to the Strategic Map of Council.

- ✓ Project Phase
  - New projects are being prioritized for implementation for 2011/2012 financial year.
- ✓ Integration Phase
  - We are in the process of including the Five Year Financial Plan.

(G) ALIGNMENT WITH NATIONAL, PROVINCIAL AND DISTRICT PRIORITIES

To attain the Strategic Intent, with limited resources, forced the Municipality to develop strategies on how to achieve these through optimal utilization of human and capital resources. Using the BSC methodology the Municipality has a proven way of developing their strategies to ensure that they can attain their strategic intent. Taking into account the various aspects and challenges facing Greater Tzaneen Municipality, the BSC methodology is implemented to develop strategies to ensure that the Municipality focuses on all perspectives as contained within the BSC methodology:

- Customer perspectives (defines what the organization will do to satisfy customers and community members)
- Financial perspectives (defines how effectively the Municipality is utilizing its resources to deliver on the community expectations)
- Internal processes perspective (defines and clarifies activities and processes required at providing the value expected by community)
- Learning and growth perspective (defines the foundation of strategic attainment by focusing on the development of skills and capabilities of human resources).

In addition to the above mentioned perspective Greater Tzaneen Municipality has identified and aligned strategic themes that will provide the essential components of the strategies developed. A theme

can be defined as an area of strategic focus within the organization that will enable the organization to focus on achieving their strategic intent. The three themes are mentioned below.

- Economic Growth
- Social, Environmental Sustainability and Infrastructure Development
- Governance and Administration

The first two themes are contributing towards the growth strategy of Greater Tzaneen Municipality. (The focus of growth within the Municipality will be towards increasing the income for all and to contribute towards a quality of life for all living within the Municipal boundaries).

(H) KEY AMENDMENTS TO BUDGET RELATED POLICIES

No key amendment has been effected on any budget related policy for the 2010/2011 financial year.

(I) DEMOGRAPHIC, ECONOMIC AND OTHER ASSUMPTIONS

All assumptions are contained in Item 10, Budget assumptions.

(J) PROGRESS WITH PROVISION OF BASIC SERVICES

Basic Services	GTM Households	Access %	Backlogs	% Backlogs
Water	68 589	76,3%	21 242	23,7%
Sanitation	29 590	32,9%	60 241	67,1%
Electricity	73 103	81,4%	16 728	18,6%
Roads	30 245	33,7%	59 586	66,3%
Solid Waste	9 243	10,2%	0	0%
Solid Waste (Rural)	9 840	10,9%	70 748	78,7%
Free Basic Water	2 079			
Free Basic Electricity	9863			

(k) DETAILS OF PROPOSED AMENDMENTS TO THE IDP

Preparation Phase

Amendments were made to the IDP, Budget and PMS process plan to align with MFMA Circular 54.

ACTIVITY	DATE
Approval of Draft IDP	28 February 2011
Public Participation Programme	05 – 31 March 2011
Approval of final IDP	29 April 2011

Strategies Phase

Amendments were made to the Strategic Map of Council

## **5. ANNUAL BUDGET TABLES**

The budget tables to be approved by Council are attached hereto as Tables A1 to A 10 and SA 1 to SA 37.

### **PART 2:**

### **SUPPORTING DOCUMENTATION (Budget Report)**

## **6. OVERVIEW OF ANNUAL BUDGET PROCESS**

### **(a) Overview of the Budget Process**

Chapter 2 of the Municipal Budget and Reporting Regulations, Gazetted 17 April 2009, states that the Mayor of a Municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in Section 53 of the Act.

Section 53(1)(a) of the Municipal Finance Management Act determines that the Mayor must provide general political guidance over the budgetary process and the priorities that must guide the preparation of the budget.

Section 21(1) of the Municipal Finance Management Act further states that the Mayor of a Municipality must co-ordinate the processes for preparing the annual budget and for reviewing the Municipality's Integrated Development Plan and Budget related policies, to ensure that the tabled budget and any revisions of the Integrated Development Plan and Budget related policies are credible. This section also stipulates that the Mayor must at least 10 months before the start of the budget year, table in Council a time schedule outlining key deadlines for the preparation, tabling and approval of the annual budget.

The Budget Steering Committee has been established and is functional. It discusses all budget related activities to ensure that all legislative requirements are adhered to and that a well balanced and realistic budget is approved.

Over the past decade Council approved strategies which we believe will address both causes and symptoms of poverty in a sustainable manner. Policies were approved to support these strategies and an Integrated Development Plan was approved and reviewed to ensure that the needs of all Communities are captured, evaluated and addressed. It must, however, be emphasized that the key to strengthening the link between priorities and departmental plans lies in enhancing political oversight of the IDP and Budget process.

The Mayor and Councillors have, through the IDP process, guided the 2011/2012 budget process in such a manner that the balance between policy priorities and fiscal realities resulted in a balanced budget.

## **(b) Planning Process**

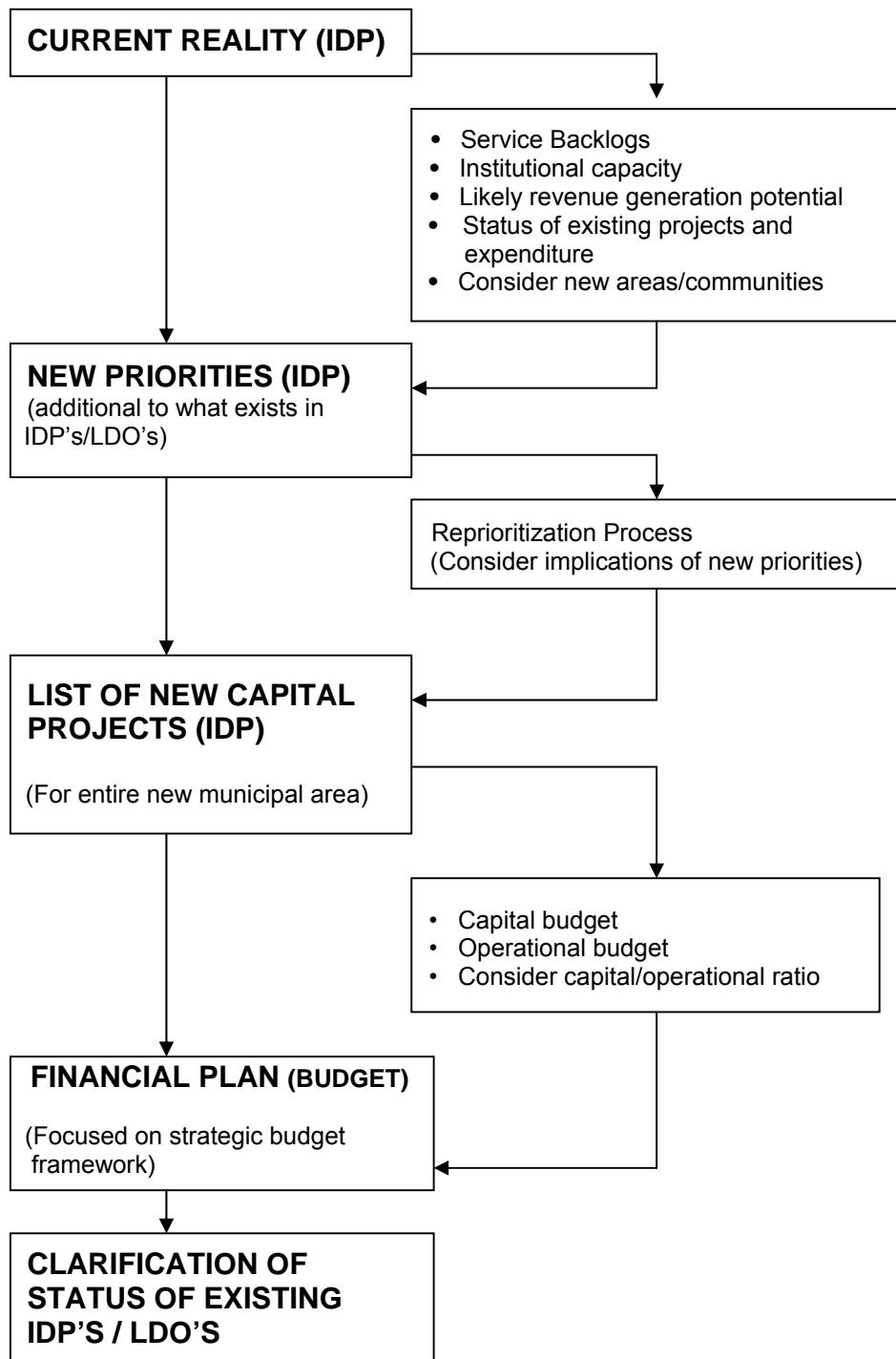
Effective budget planning assists the Municipality in transforming its area of responsibility into a better place to live for all. Budget planning is primarily about the priorities and choices that the Municipality has to make in deciding how to meet the policy objectives through better service delivery.

The review of the IDP and drafting of the budget is an evolving and interactive process over a 10 month period. This process commences with the approval of the IDP and Budget time table, followed by the public participation process, approval of the IDP and the drafting of the budget to determine the affordability of service delivery.

In contrast to the role planning has played in the past, Integrated Development Planning is now seen as a function of Municipal Management which includes a system of planning and delivery. The Integrated Development Planning process is meant to arrive at decisions on issues that need to be provided for in Municipal budgets. Integrated Development Planning not only informs management, it also guides the activities from the planning stage through the budget culminating in the execution thereof.

The table below is a summary of the IDP/Budget methodology used by Greater Tzaneen Municipality:

## **INTERIM IDP/BUDGET METHODOLOGY (1-2 WORKSHOPS)**



To comply with the requirement of the Act, Ward committees, residents, community organizations and other stakeholder interest groups, have been invited to participate in the IDP and budget process.

### **(c) Process for Consultations With Each Group of Stakeholders and Outcomes**

Section 22 (1) of the Municipal Finance Management Act determines that:

#### ***"22 PUBLICATION OF ANNUAL BUDGETS***

*Immediately after an annual budget is tabled in a Municipal council, the Accounting Officer of the Municipality must:-*

*in accordance with Chapter 4 of the Municipal Systems Act-*

*make public the annual budget and the documents referred to in section 17(3); and  
invite the local community to submit representations in connection with the budget; and*

*submit the annual budget:-*

*in both printed and electronic formats to the National Treasury and the relevant Provincial Treasury; and  
in either format to any prescribed National or Provincial organs of state and to other Municipalities effected by the budget."*

The Municipality's Consultation process on its Draft IDP review and budget commenced during August 2010 with the approval of the IDP, Budget and PMS calendar.

After approval of the draft IDP and draft budget it was submitted to National Treasury and Provincial Treasury for their consideration in line with Section 22 of the MFMA.

The draft budget was also made available on Greater Tzaneen Municipality's website and it was advertised in two local newspapers.

Community representatives and organizations have also been given the opportunity to review the priorities indicated previously to ascertain whether it has been captured as agreed upon.

Public hearings have been held in all 34 Wards. The meetings were scheduled during March 2011 as per the list below:

### **Timing Number and Type of Consultation**

<b>Ward</b>	<b>Venue</b>	<b>Time</b>	<b>Date</b>
01	Masupa High School	10:00	12-03-2011
02	Mawa Primary School	10:00	13-03-2011
03	Mmokobo Secondary Sch	10:00	12-03-2011
04	Mdingazi School	10:00	27-03-2011
05	Mahwahwa High School	10:00	12-03-2011
06	Runnymede MPCC	08:00	13-03-2011
07	Botludi Primary School	09:00	20-03-2011
08	Thusong Com Centre	10:00	27-03-2011
09	Kgwekgwe High School	14:00	27-03-2011
10	Mohlatlego Machaba H/Sch	09:00	27-03-2011
11	Mapula Primary School	14:00	26-03-2011
12	Baloyi Tribal Offices	14:00	26-03-2011
13	Mandlahazi Sports Ground	14:00	26-03-2011
14	Politsi School	18:00	09-03-2011
15	Laerskool Tzaneen	18:00	08-03-2011
16	Haenertsburg	18:00	27-03-2011
17	Sebone School	08:00	27-03-2011
18	Ponani Primary school	10:00	26-03-2011
19	Nkowankowa Comm Hall	18:00	23-03-2011
20	Mavumba Primary	08:00	27-03-2011
21	Bombeleni School	18:00	24-03-2011
22	Mafarana	08:00	26-03-2011
23	Tifo Mbowneni Prim Sch	08:00	26-03-2011
24	Mhlaba Head Kraal	08:00	27-03-2011
25	Professor	10:00	26-03-2011
26	Julesburg Sport Field	10:00	12-03-2011
27	Bulamahlo MPCC	08:00	13-03-2011
28	Rhandzacece Creche	10:00	12-03-2011
29	Semana Primary School	14:00	13-03-2011
30	Motsheng	10:00	26-03-2011
31	Lenyenye Community Cen	18:00	10-03-2011
32	Sekaba High School	14:00	26-03-2011
33	Bakgaga Tribal Offices	09:00	27-03-2011
34	Lesedi MPCC	14:00	27-03-2011

The IDP and budget time table was approved by Council, 10 months before the start of the budget year in order to comply with the requirements of the MFMA. This time table guides all IDP, Budget, SDBIP and

performance activities and is in line with legislative frameworks.

**Process of tabling the budget in Council for consideration and approval.**

The tabling of the draft budget in Council on 28 February 2011 was followed by extensive publication of the IDP and budget in newspapers. It was also published on Councils website.

Public hearing on both the operational and capital budgets were held during March 2011 as mentioned above.

**Process to record and integrate inputs from the community in the final budget.**

During the consultative process all verbal questions and answers have been recorded.

All written submissions have been directed to the IDP Manager who keeps record thereof.

All the submissions received during the consultation process have been considered before the tabling of the final budget today.

The Preliminary Budget was also hand delivered to National Treasury and Provincial Treasury on 2 March 2011, to date 18 April 2011 no comments have been received from National or Provincial Treasury which we regard as an indication that our 2011/2014 budget is acceptable.

**Statistics relevant to the process (Submissions received and attendance at forums)**

On completion of the consultation process the IDP Manager submitted a summarized report to the Chief Financial Officer who scrutinized the report and the Acting Municipal Manager and Chief Financial Officer determined what actions had to be taken to address the concerns/needs of the community. Some of the requests are included in this budget. The other requests have been included in the IDP.

**The following table provides a schedule of key deadlines relating to the budget process:**

ACTIVITY	DATE
Approval of Draft IDP and Budget	28 February 2011
Public Participation Programme	05 – 31 March 2011
Approval of final IDP and Budget	29 April 2011

The tabling of the draft 2011/2012 budget on 28 February 2011 was followed by publication of the budget documentation and public participation took place during March 2011.

## **7. ALIGNMENT OF BUDGET WITH INTEGRATED DEVELOPMENT PLAN / SERVICE DELIVERY AGREEMENTS**

### **The Vision of Greater Tzaneen Municipality**

To be the fastest growing Economy in Limpopo, which will ensure access to basic services to every household.

### **Strategic Focus (Key Performance Areas)**

The strategic focus, or strategic theme, as it is known in Greater Tzaneen Municipality is an area of strategic focus that will enable Council to focus on achieving its strategic intent. Greater Tzaneen Municipality has followed the initiative from Provincial Government and the Mopani District Municipality to align the strategic themes to that of the provincial clusters.

- » Economic growth (Increased income for all)
- » Social environmental sustainability and infrastructure development (Sustainable quality of live)

## **(A) Details of proposed amendments to the IDP**

- ✓ Strategies Phase
  - *New strategies and possible projects were identified*
- ✓ Project Phase
  - *New projects were prioritized for implementation for the 2010/11 financial year.*

**(B) Revenue, Operating Expenditure and Capital Expenditure aligned to action plans of the IDP**

**PRIORITIZED PROJECTS 2011/2012 IDP**

Line Item	Project Name	Implementing Dept/Agent	Budget 2011/2012	Source of funding	Project Location	Ward
<b>ROADS AND STORMWATER</b>						
063	Ramotshinyadi to Mokgwathi	GTM (Engineering Department)	R15,400,000	MIG and GTM	Ramotshinyadi and Mokgwathi	2 and 3
063	Sasekani to Nkowankowa	GTM (Engineering Department)	R 11,200,000	MIG and GTM	Sasekani, Petanenge and Nkowankowa	21 and 24
063	Senakwe to Maropalala	GTM (Engineering Department)	R 5,000,000	GTM	Senakwe and Moropalala	1
063	Speed humps	GTM (Engineering Department)	R 2,000,000	GTM		
063	Mopye low level bridge	GTM (Engineering Department)	R 500,000	GTM	Mopye village	9
063	Thlako to Sefolwe village low level bridge	GTM (Engineering Department)	R 500,000	GTM	Thlako and Sefolwe	9
063	Politis low level bridge	GTM (Engineering Department)	R 2,500,000	GTM	Poltitsi	14
<b>BUILDING AND MAINTENANCE</b>						
063	Securing of Rates Hall and Morphy Acess Control System	GTM (Engineering Department)	R 500,000	GTM	Tzaneen	ALL
<b>WATER AND SANITATION</b>						
	Lenyenye water and sewer connection	GTM (Engineering Department)	R 750,000	GTM	Lenyenye	30
	Nkowankowa Csection water and sewer connection	GTM (Engineering Department)	R 750,000	GTM	Nkowankowa	21
	Preparation for Laboratory Accreditation	GTM (Engineering Department)	R 400,000	GTM	GTM	All

Line Item	Project Name	Implementing Dept/Agent	Budget 2011/2012	Source of funding	Project Location	Ward
<b>ELECTRICITY</b>						
173	Distribution Network (Service Contribution)	GTM Electrical Engineering	R10,000,000	GTM	Tzaneen	All
173	Electrical Connections	GTM Electrical Engineering	R1,000,000	GTM	Tzaneen	All
183	Electrification of Mokgoloboto and Dan extension 1 & 2 (Phase 2)	GTM Electrical Engineering	R 9,000,000	GTM	Mokgoloboto and Dan extension 1 & 2	17
183	Upgrading Tzaneen Town network including cables	GTM Electrical Engineering	R 8,500,000	GTM	Tzaneen	15
183	Rebuilding of lines	GTM Electrical Engineering	R 4,000,000	GTM	Tzaneen	15
183	Installation of fire wall protection	GTM Electrical Engineering	R 550,000	GTM	Tzaneen	15
183	Airconditioners for Council owned buildings	GTM Electrical Engineering	R 150,000	GTM	Tzaneen	All
183	Replace LT cables (Urban)	GTM Electrical Engineering	R 120,000	GTM	Tzaneen	15
183	LED lights for Robots	GTM Electrical Engineering	R 80,000	GTM	Tzaneen	15
183	Capital Tools (Rural)	GTM Electrical Engineering	R 220,000	GTM	Tzaneen	15
183	Capital Tools (Urban)	GTM Electrical Engineering	R 275,000	GTM	Tzaneen	15
183	Pre-paid monitoring system and vending stations	GTM Electrical Engineering	R 500,000	GTM	All Towns	15, 16, 19, 23 and 30
183	Strategic Lighting	GTM Electrical Engineering	R 155,000	GTM	Tzaneen	All
183	Auto reclosers	GTM Electrical Engineering	R 880,000	GTM	Tzaneen	All
183	Upgrading protection equipment on substations	GTM Electrical Engineering	R 70,000	GTM	Tzaneen	All
<b>CEMETERY DEVELOPMENT</b>						
112	Cemetery Development	GTM Community Services	R 300,000	GTM	Municipal area	All
<b>COMMUNITY AND ENVIRONMENTAL HEALTH</b>						
112	Purchase of environmental Monitoring Equipment	GTM Community Services	R 100,000	GTM	GTM	All
<b>PARKS</b>						

Line Item	Project Name	Implementing Dept/Agent	Budget 2011/2012	Source of funding	Project Location	Ward
112	Purchase of Lawn mowers	GTM Community Services	R 500,000	GTM	GTM	All
112	Star Grading	GTM Community Services	R 20,000	GTM	GTM	All
112	Cleaning Equipment	GTM Community Services	R 80,000	GTM	GTM	All
<b>FINANCE</b>						
032	Financial and Electronic Bank Reconciliation Software	Chief Financial Officer	R 300,000	GTM	GTM	All
032	Supply Chain Management Software	Chief Financial Officer	R 200,000	GTM	GTM	
<b>COMMUNICATION AND MARKETING</b>						
052	Mayoral Hotline Software	Corporate Services	R 180,000	GTM	GTM	All
052	Digital Video Cameras X 2	Corporate Services	R 15,000	GTM	GTM	All
052	Digital Cameras X 2	Corporate Services	R 10,000	GTM	GTM	All
052	Branding Equipments	Corporate Services	R 30,000	GTM	GTM	All
<b>HUMAN RESOURCE</b>						
052	Purchase of zippel cabinets for HR archives	Corporate Services	R 60,000	GTM	GTM	All
052	Purchase of Airconditioner for HR Archives	Corporate Services	R 10,000	GTM	GTM	All
<b>ADMINISTRATION SUPPORT</b>						
052	Recording System in the Council Chamber	Corporate Services	R 125,00	GTM	GTM	
<b>INFORMATION AND TECHNOLOGY</b>						
052	Purchase of Projectors X	Corporate Service	R 70,000	GTM	GTM	All
<b>TOWN PLANNING</b>						
012	Township Establishment in support of Shiluvana Library: Transfer of land	Planning and Economic Development	R 500,000	GTM	Shiluvana	27

Line Item	Project Name	Implementing Dept/Agent	Budget 2011/2012	Source of funding	Project Location	Ward
<b>MUNICIPAL MANAGER</b>						
002	PMS Software and equipment	Municipal Manager	R450,000	GTM	Tzaneen	
	Furniture	Municipal Manager	R 50,000	GTM	Tzaneen	
<b>FINANCE LEASES</b>						
	IT Equipment	Corporate Services Manager	R4 000 000	GTM	GTM	All
	Replacement of Vehicle	Corporate Services Manager	R8 500 000	GTM	GTM	All

## **Alignment with National, Provincial and District Plans**

An integrated process plan budget and performance calendar was drafted and approved by Council on 31 August 2010. This plan which includes various processes i.e. Strategic Planning, Integrated Development Planning and the budget process had brought about a collective approach in which the contributions of all the stakeholders are valued.

Various meetings were held with stakeholders to comply with the requirements of the Local Government Municipal Systems Act which determines that the planning undertaken by a municipality must be aligned with and compliment the development plans and strategies of affected municipalities and organs of state.

## **8. MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS**

### **(A) KEY FINANCIAL INDICATORS AND RATIO'S FOR:**

#### **OUTSTANDING SERVICE DEBTORS**

$$A = B \\ C$$

"A" Outstanding service debtors to revenue	95%
"B" Total outstanding service debtors	<u>211 030 410</u>
"C" Annual revenue actually received for services	221 406 314

#### **DEBT COVERAGE**

$$A = B - C \\ D$$

"A" Debt Coverage	28.38
"B" Total Operating Revenue Received	<u>43 531 948</u>
"C" Operating Grants	2 347 000
"D" Debt Service Payments	1 451 359

## COST COVERAGE

$$A = B + C$$

D

"A" Cost Coverage	0.61
"B" All available cash at a particular time	<b>516 757</b>
"C" Investments	18 196 212
"D" Monthly Fixed Operating Expenditure	29 000 000

## (B) MEASURABLE PERFORMANCE OBJECTIVES FOR:

The measurable performance objectives are attached as Annexure "K".

**Providing clean water and managing waste water.**

- Mopani District Municipality is a Water Service Authority (WSA) while Greater Tzaneen Municipality is the Water Service Provider (WSP). Under the SLA, GTM operates and manage the following Water and Waste water works:

Name of Water Works	Capacity
1. Georges Valley Water Works	9.0MI/d
2. Tzaneen Dam Water Works	6.0MI/d
3. Letsitele Water Works	1.4MI/d
4. Tzaneen Waste water Works	8MI/d

Greater Tzaneen Municipality is partially assisting DWEA in the maintenance of Nkowankowa Waste water and Lenyenye Maturation Ponds. In this case GTM supplies chemicals and maintains it.

- Blue Drop and Green Drop performance ratings

Greater Tzaneen Municipality received a Blue Drop Certificate during 2009 assessment for Tzaneen and Letsitele System. For the 2010 year assessment for both Blue and Green Drop, all water and Wastewater works and networks for four towns were assessed.

<b>Assessment</b>	<b>Percentage</b>
BDC 2009	97.8
GDC 2010	Pending

- As part of the BDC and GDC requirements, Water Safety Plans (WSP's) for both Wastewater and Water had been established. These WSP's are only applicable to the systems operated and Managed by GTM. There were a few things identified during the audit process for Wastewater Works in Tzaneen and the findings are treated accordingly.
- The following are the identified challenges in Water and Sewerage management
  - There is not enough water for Tzaneen as demand is higher than supply. Application for an increase in Water allocation by DWAF has been made but with no success.
  - There are illegal or unauthorized connections of both water and sewer by community members which results in high water loss and high blockages of sewers due to soil and debris entering the sewer lines.
  - Water meters and pipes being vandalized leading to excessive water loss.
  - Shortage of funds in repairing and maintenance of water services infrastructure.
- Steps are:
  - Implementation of Bylaws.
  - Mopani District Municipality to intervene in speeding up the application of an increase in Water quota.

- Engage Mopani District Municipality and DWAF to fund activities that will improve water supply and control.
- Engage communities (public participation) and educate them about the importance of protecting the Water and Sewerage system.
- Budget for 2011/2012 as outlined in the budget.

The certificate of analysis is attached as **Annexure “J”**.

## **9. BUDGET RELATED POLICIES OVERVIEW AND AMENDMENTS**

### **9.1 LIST OF BUDGET RELATED POLICIES**

#### **Revenue Framework**

Section 18 of the Municipal Finance Management Act (MFMA) states that the Budget can only be funded by realistically anticipated revenue to be collected, and cash-backed accumulated funds from previous years, which was not committed for other purposes.

Furthermore, National Treasury Circular 42 stipulates that the Budget be managed in a full accrual manner reflecting a transparent budget and accounting system approach.

The MFMA further requires the Municipality to adopt and implement a Tariff Policy. Council has approved policies for main services provided by the Municipality, which are attached as Annexure “D” to this document.

#### **9.1.1 Revenue-related policies**

##### **a) Tariff Policy**

The Municipal System Act requires Council to adopt a Tariff Policy. The

general financial management functions covered in Section 62 of the MFMA includes the implementation of a Tariff Policy. Specific legislation applicable to each service has been taken into consideration when determining this policy.

b) Credit Control and Debt Collection Policy

This has been formulated in terms of Section 96 (b) and 98 of the Local Government: Municipal Systems Act, 2000 and the Credit Control and Debt Collection By-Law.

#### 9.1.2 Budget-related policies

The following budget-related policies have been approved by Council, or have been reviewed/amended and/or are currently being reviewed/amended, in line with National Guidelines and Legislation.

a) Budget Policy

The Budget Policy which was approved by Council deals with the objectives, budgeting principles, Responsibilities of the Chief Financial Officer's Legal requirements, Funding of Expenditure and Adjustment budget and is attached to this report.

b) Standard Financial Policy

This policy which deals with Expenditure Job Costing, Revenue, Management, Asset Management, Investment, Risk Management, Procurement and Inventory as well as Internal control and Audit was approved by Council on 26 August 2003.

c) Equitable Share and Indigent Policy

This policy deals with the Equitable Share allocation and Indigent Subsidy and was approved by Council on 17 March 2003.

d) Supply Chain Management Policy

Section 111 of the MFMA requires each municipality and municipal entity to adopt and implement a Supply Chain Management Policy, which gives effect to the requirements of the Act. The Municipal Supply Chain Management Policy was adopted by Council on 29 November 2005 and the three committees required by the Act have been established and are functional.

The Supply Chain Management Policy provides systems for the following functions:

- Demand Management
- Acquisition Management
- Logistics Management
- Disposal Management
- Risk Management
- Performance Management

It also describes in detail the process and procedures of the acquisition of goods, services and works as well as the disposal of inscrutable, redundant and obsolete goods.

e) Rates Policy

In 2008 Greater Tzaneen Municipality prepared a General Valuation Roll of all property in terms of the Local Government: Municipal Property Rates Act of 2004 (MPRA) and it was implemented on 1 July 2008. The policy is attached to the report.

f) Investment and Cash Management Policy

The Council, at its meeting on 13 July 2004 (Item B 145) approved the Investment Policy that deals with the management of the surplus cash resources and the investment thereof.

g) Virement Policy

The Virement Policy aims to empower Senior Management with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA. While no limits were placed on the amount of the virement, certain limitations were placed in terms of allocations and it further provides for flexibility within votes.

h) Adjustment Budget Policy

The Adjustment Budget Policy is governed by various provisions in the MFMA and the Municipal Budget and Reporting Regulations, which are aimed at establishing an increased level of discipline responsibility and accountability in the financial management practices of the Municipality.

## **9.2 PROPOSED AMENDMENTS TO THE BUDGET RELATED POLICIES**

No amendments has been effected to the already approved policies.

## **10. BUDGET ASSUMPTIONS**

Municipalities long-term financial viability depends largely on the extent to which improved and sustainable revenue capacity on the one hand - and sound financial management of its resources on the other hand – can be achieved. These imperatives necessitate proper multi-year financial planning. Future impacts of revenue and expenditure streams and the financial implications for the community at large (i.e. the potential influence on property tax rates, tariffs and service charges) must be identified and assessed to determine the sustainability of planned interventions programmes, projects and sundry service delivery actions.

The following paragraphs outline the assumptions made by the Chief Financial Officer and the Budget Committee:

### A) INFLATION TARGET

At the beginning of each calendar year National Treasury issues a budget circular that is intended to guide Municipalities in the preparation of their budgets. Amongst other things the circular indicates anticipated inflation figures that are to guide the Municipalities when setting increases to their tariffs. Circular no 54 indicates an inflation rate of 6% for the 2011/2012 financial year.

Circular 54 also determines the following:

***“National Treasury continues to encourage Municipalities to keep increases in rates, tariffs and other charges as low as practically possible.”***

### PERSONNEL ISSUES

A multi-wage wage/salary agreement was negotiated in the SALGBC and signed on 21 April 2010. The second phase of the agreement will be implemented with effect from 1 July 2011.

All employees, except Section 56/57 Managers shall receive for the financial year 2011/2012 with effect from 1 July 2011 an across the board increase based on the average CPI percentage for the period 1

February 2010 until 31 January 2011 plus two (2%) percent.

Benefits and conditions of service linked to the employee's salaries and wages must be increased accordingly.

To date no firm indication of the possible wage/salary increase was received from SALGA.

A salary increase of 7% has been provided for on the 2011/2012 budget.

- **Number of employees:** Provision has been made for positions that are filled and those that became vacant the past 12 months to accommodate only critical and essential positions. Priority will therefore be given to service delivery departments. The total number of employees can, however, drastically increase due to the possible absorption of the DWAE staff which can be transferred to the Municipality as part of the integration of DWAE employees into the Municipality.

#### B) COUNCILLOR'S ALLOWANCES

Composition of and increases to Councillor's allowances are determined annually by the Minister of the Department of Co-operation and Traditional Affairs (COGTA) through a Gazette setting out the upper limits of the allowances to Councillors. This Gazette is normally issued towards the end of December to apply retrospectively from July of that year. The Gazette had not been issued yet. An increase of 7%, the same as for officials, was therefore assumed for budgeting purposes.

#### C) INTEREST RATES

Borrowing interest rates were factored at a prime rate of 12%. It was assumed that the average prime rate will stabilize at this level for the forecasted period.

D) COLLECTION RATES

In accordance with relevant legislation and national directives, revenue recovery rates are based on realistic and sustainable trends. The municipal collection rate is set at an average of 90% and is based on a combination of actual rates achieved to date and estimated outcomes of the current financial period. Adequate provision is made for non-recovery.

E) BAD DEBTS PROVISION

Taking into account the collection rate of Council, the bad debt provision has been set at 10% of the amount to be billed.

F) TARIFF ADJUSTMENTS

An average Property Tax Rates tariff increase of 6% was modeled.

The electricity tariff adjustment is 20.38%, largely due to the increase for Eskom bulk purchases.

Water and Sewerage tariff adjustments are 6%, while Refuse and Disposal charges are modeled to increase by 6%

G) REPAIRS AND MAINTENANCE

Greater Tzaneen Municipality's target with regard to repairs and maintenance is set between 10% and 15% of total expenditure to address backlogs.

H) DEPRECIATION

Depreciation which is prescribed by the Budget Regulations on new capital expenditure is calculated at a varying rate ranging between 3 and 20 years, depending on the nature of the asset. Actual depreciation was modeled on existing assets.

I) EQUITABLE SHARE GRANT

The equitable share allocations supplement municipalities' own revenues for the provision of basic

services to poor households. In terms of the 2010 DORA , the annual allocation to the Council is as follows:

2010/2011 - R176 million

J) DWAE TRANSFER

The Municipality has been appointed as a water service provider for the whole of its area of jurisdiction. Its functions and responsibility will cover operational issues that were previously performed by DWAE and the Mopani District Municipality. Towards this end, a process was set in motion to transfer DWAE employees and the whole of its operations to the Local Municipality and the District Municipality. This process which should have been finalized some time back was delayed due to conditions attached to this transfer not being agreed upon by the relevant stakeholders. Agreement on the major points have been reached and it is anticipated that the transfer should be finalized within the current financial year or next financial year. The transfer agreement provides that the Municipality will be paid a grant equal to 100% of the operational needs of DWAE in the first year, with the amount reducing on a sliding scale to be phased out in three years. This transfer will see approximately 200 staff members being transferred to the Municipality. A provision of R33 million has been made on the budget for this purpose which will be recovered from DWAE as per the funding agreement detailed above. While the other operational expenses of the DWAE offices will be covered also on a sliding scale as indicated above a concern has been raised in that the Municipality might have to top up the funding required to make the DWAE operations of acceptable standards where this was not the case. It is however difficult to quantify this cost and therefore it has not been taken into account in the drafting of the budget.

K) ESKOM

ESKOM had indicated previously that it would ask for an increase that is substantially more than the inflation rate. Provision of 20,38% has been proposed by ESKOM.

L) TARGETED GROWTH

As part of the normal budgeting process consideration is normally given to the anticipated growth in the population of the Municipality due to normal increment and mobility of people into the urban areas where cost recovery is taking place. However due to stagnation of development in areas where cost recovery is taking place due to infrastructural capacity constraints no increases in the population has been taken into account.

M) CAPITAL EXPENDITURE

It is recommended that an amount of R26 million be appropriated this year for electricity.

Very little has been done in terms of maintenance and general investment into the infrastructure of the Municipality in general to ensure continued availability of the system. Should this not be addressed the Municipality might face a catastrophe in a few year's time of the same magnitude that ESKOM is facing.

N) GENERAL MAINTENANCE

The Municipality is going through the same challenges as that of all institutions that are going through a period of financial stress. This is with regards to expenditure on maintenance. Due to reduced maintenance budgets in previous years, the infrastructure of the Municipality has been deteriorating at a faster rate than normal. This will require substantial expenditure in future years in order to maintain these assets in a working condition. An increase in repairs and maintenance on the previous year of R14,5 million is recommended.

O) BUDGET REFORMS

The Municipality complied with budget reforms since 2010/2011 financial year.

P) PROPERTY RATES

The new valuation roll has been implemented with effect from 1 July 2008. Property rates are calculated on the market value of properties contained in this valuation roll.

Q) EXTERNAL FACTORS

National Treasury has advised that municipalities are expected to levy their rates and tariffs taking into account their local economic conditions, affordability levels and remain broadly in line with macro-economic policy.

R) GENERAL INFLATION OUTLOOK

The upper limit of the inflation forecast for 2011/2012 is predicted to be 6%.

S) BULK PURCHASES

That the increase in bulk purchases be based on consumption in previous years.

T) OTHER CONSUMPTIONS

- ▶ That unconditional grants and subsidies not be allocated to certain services, but that it be allocated within the context of the overall financial position of Council.
- ▶ That the current financing practices (Internal Financial Recovery Plan) be sustained.
- ▶ That the short-term operational cash be utilized to finance short-term operating expenses.
- ▶ That a loan for R50 million be taken up to finance capital projects for, inter alia the emergency upgrading of the electricity distribution system and rural projects.
- ▶ A 12% interest rate and a 15 year period be used for the R50 million loan.

- ▶ That indigent households who receive basic services will not pay for those services.
- ▶ That no provision for REDS has been made in this year.
- ▶ The Equitable Share Grant was taken as per DORA and thereafter escalated at the inflation rate assumed in this report.
- ▶ Except for a Free Basic Water allocation no other capital or operational transfer from Mopani District Municipality was assumed.
- ▶ Mopani District Municipality is the service authority for water and sewer, therefore a agency fee has been determined for services rendered by Greater Tzaneen Municipality

## **11. OVERVIEW OF BUDGET FUNDING**

### **Fiscal Overview**

To comply with relevant legislation, the MTREF is drafted annually.

Greater Tzaneen Municipality continues to display a relative sound financial profile which is mainly attributes to:

- Balanced budget based on realistically anticipated revenue.
- Expenditure kept within the limits of the approved budget.

Cash flow problems are experienced from time to time due to the seasonal electricity tariff of ESKOM.

The implementation of the MFMA required a reform in financial planning within Municipality's. The focus has therefore shifted from the Municipal Manager and Chief Financial Officer to all senior managers who are responsible for managing the respective votes or departments of the Municipality, and to whom powers and duties for this purpose have been delegated. Top Management must also assist the Accounting Officer in managing and co-ordinating the financial administration of the Municipality.

During the performance management process Greater Tzaneen Municipality identified the following objectives to comply with the requirements of the Constitution:

- Apply innovative systems to retain existing customers;
- Promote community based problem solving;
- Improve service delivery in a sustainable manner;
- Enhance economic development through funding and partnerships;
- Optimally leverage capital investment and utilization; and
- Increase financial viability

The 5 year financial plan therefore focuses on the improvement of service delivery and the addressing of the physical infrastructure backlog's facing Greater Tzaneen Municipality.

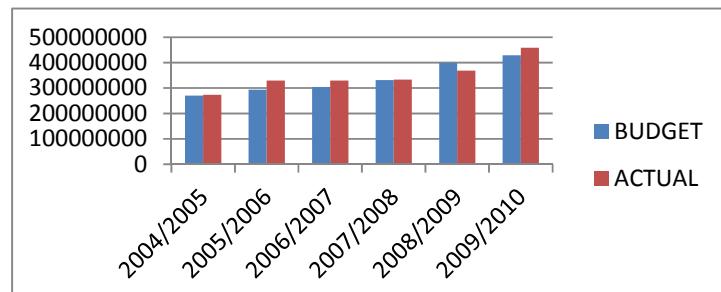
#### **(A) Outcomes of the Past Years and Current year**

The graph below indicates the comparison between budgeted and actual operating expenditure over the past 6 years:

YEAR	BUDGET	ACTUAL
2004/2005	270 218 800	273 261 622
2005/2006	293 533 474	329 631 453
2006/2007	304 739 349	329 472 551
2007/2008	331 225 571	333 231 173
2008/2009	399 323 160	368 815 783
2009/2010	429 143 386	458 726 916

#### **OPERATING EXPENDITURE**

**GRAPH**  
Operating Expenditure

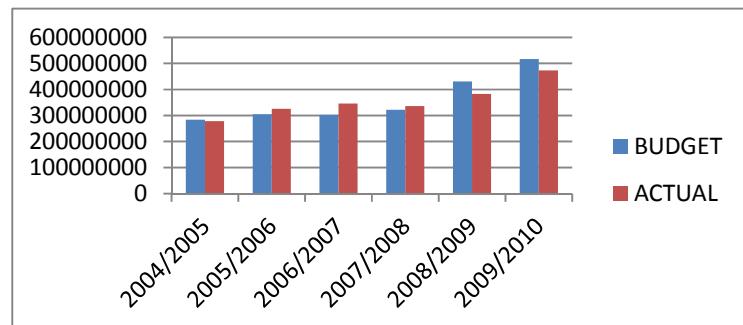


The graph below indicates the comparison between budgeted and actual operating Income over the past 6 years:

#### OPERATING INCOME

YEAR	BUDGET	ACTUAL
2004/2005	283 934 170	278 089 403
2005/2006	304 665 997	325 810 839
2006/2007	302 218 188	345 928 848
2007/2008	321 808 837	336 481 594
2008/2009	430 916 687	382 896 432
2009/2010	516 701 190	473 373 253

#### GRAPH Operating Income



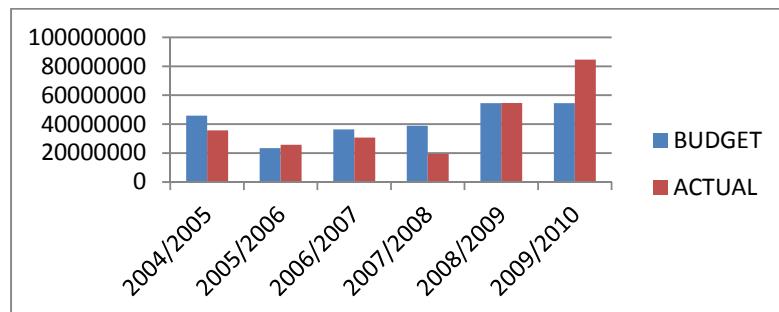
The capital expenditure against the budget of the past 6 years are also indicated graphically below:

#### CAPITAL EXPENDITURE – MIG INCLUDED

YEAR	BUDGET	ACTUAL
2004/2005	45 813 859	35 729 703
2005/2006	23 453 033	25 729 847
2006/2007	36 364 059	30 747 402
2007/2008	38 888 000	19 406 629
2008/2009	54 605 000	54 626 953
2009/2010	54 605 000	84 646 163

## GRAPH

### Capital Expenditure



## OPERATING BUDGET 2011/2012

### Operating Revenue

The revenue of Greater Tzaneen Municipality is predominantly raised through rates and tariffs. Grants and subsidies from National and Provincial Government constitute a relative small portion of the total revenue and thus the budget is based on a strong base of own sources.

Metered services contributed the following revenue to Greater Tzaneen Municipality during the 2009/2010 financial year:

Electricity	41%
Refuse Removal	4%

Since the 2008/2009 financial year the fair market value of a property has been applied in terms of the Property Rates Act.

The Greater Tzaneen Municipal operating income will be allocated as follows during 2011/12 Financial year:

<b>REVENUE</b>	<b>BUDGET 2011/2012</b>
Property rates	-R 45 591 966
Property rates – penalties imposed and collection charges	-R 3 161 860
Service charges	-R368 832 043
Rental of facilities and equipment	-R 233 006
Interest earned – external investments	-R 51 000
Interest earned – outstanding debtors	-R 14 684 720
Fines	-R 2 330 136
Licenses and permits	-R 303 250
Income from agency services	-R 51 529 515
Government Grants and Subsidies	-R289 631 000
Other Revenue	-R 3 791 783
Gains on disposal of property, plant & Equip.	-R 1 500 000
Income Foregone	R 16 165 518
<b>TOTAL REVENUE</b>	<b><u>-R763 476 761</u></b>

### Operating Expenditure

The budgeted expenditure per item are as follows for the 2011/2012 financial year:

<b>ITEM</b>	<b>Budget 2011/2012</b>
Employee Related Costs	R143 533 841
Employee Related Cost Social Contributions	R 28 492 504
Employee Cost Capitalized	-R 6 605 350
Employee Costs Allocated to other Operating Items	-R 74 330 221
Remunerations of Councillors	R 17 033 861
Bad Debts	R 13 728 913
Collection Costs	R 200 000
Inventory Surplus/Loss	R 0
Depreciation	R 94 791 099
Repairs and Maintenance	R122 835 209
Interest Expense – External Borrowings	R 17 087 994
Bulk Purchases	R208 711 937
Contracted Services	R 76 800 826
Grants & Subsidies paid	R 30 852 349
General Expenses	R 79 704 606
<b>EXPENDITURE TOTAL</b>	<b><u>R752 837 568</u></b>

## (b) FUNDING MEASURES

### Internal Financial Recovery Plan

As mentioned in the previous budget report, it was agreed that in order to resolve the cash flow problems which were experienced by Greater Tzaneen

Municipality, quick-win interventions should be developed. It was also agreed that departments would come up with their own quick-win suggestions to ensure that the cash flow problems are addressed by all departments. Quick-win suggestions were received and it was consolidated in the following quick-win plan:

That the following issues be investigated and addressed.

- Personnel
  - Moratorium on filling of vacant posts
  - Temporary positions to be investigated
  - Overtime
  - Unproductive staff
  - Bonuses
  - Subsistence and Travelling expenses
  - Training
  - Payment of bursaries
- Disposal of Municipal land/stands
- Cancellation of Recognition Day
- Credit Control and Debt collection
  - Municipal accounts (user charges) - Defaulters to be handed over for legal action.
  - Sundry Accounts – Defaulters to be handed over for legal action
- Property Rates
- Running Cost Analysis of Municipal Fleet
- Service Delivery Contracts
- Traffic Fines
- Administration of Grants
- Auction of Obsolete Assets
- Telephone Calls

A Turn-around strategy has been approved and implemented to address Councils cash flow situation and DBSA was also appointed to assist in this regard.

It was also resolved that all officials should be made aware of the need to save costs in all areas.

### **Financial Challenges**

The challenges facing Greater Tzaneen Municipality are, inter alia, the following:

- Debt collection and Credit control
- The levying of property rates with emphases on sub-divisions and consolidations
- Recovering of all Greater Tzaneen Municipality income with emphasis on land sales
- Execution of the Internal Financial Recovery Plan.

### **Sources of Funding**

The revenue of the Municipality is predominantly raised through rates, service charges and grants. This high level of relative stable revenue source is a key factor in sound financial position, the Municipality will however have to increase its tax base to insure that the much needed development can be funded.

The 2011/2012 expenditure will be funded as follows:

Funding source	Amount
Grants & Subsidies	R289 million
Rates & Service Charges	R412 million
Sundry Income	R 62 million
Budgeted Revenue	<u>R763 million</u>

### **(c) PROPERTY VALUATION RATES TARIFFS AND OTHER CHARGES**

#### **Property Rates**

The proposed property rates are to be levied in accordance with existing Council's Policy, and both

the Local Government Municipal Property Rates Act 2004 (MPRA) and the Local Government Municipal Finance Management Act 2003.

The Property Rates Policy of Council is attached hereto as prescribed by National Treasury.

Property rates are based on values indicated in the General Valuation Roll. The Roll is updated for properties effected by land sub-division, alterations to buildings, demolitions and new buildings (improvements) through Supplemental Valuation Rolls.

The proceeds from property rates must cover the shortfall in the provision of general service. It is also seen as the most important source of general revenue for Municipalities, especially in developed areas. The revenue generated from property rates is used to fund services like maintaining streets, roads, sidewalks, lighting, storm water drainage, parks and cemeteries.

A 6% increase in the assessment rates tariff on the previous year is proposed to ensure that revenue to the amount of R45 million is levied.

#### Water Service

Council must take note that Greater Tzaneen Municipality is only the service provider and not the service authority.

The water and sewer budget is drafted by Greater Tzaneen Municipality but submitted to Mopani District Municipality for approval.

The proposed Water and Sanitation Tariffs for 2011/2012 are consistent with National Policy on the extension of free basic services, the National Strategic Framework for Water and Sanitation and with Council's Indigent Relief Measures, Rates and Tariff Policies and Equitable Service Framework.

The progressive nature of the existing domestic stepped tariff structure both for water and sanitation is pro-poor and allows for the needs of the indigent. It is

also designed to discourage high water consumption levels, which have an impact on the size of both the water and sanitation portions of a consumer's bill. It enables all consumers to adjust their consumption levels to ensure affordability.

It is proposed that the step tariff structure from the 2010/2011 financial year be retained, with a proposed 6% increase in volumetric water tariffs generally, and a proposed 6% increase in sanitation tariffs generally.

The proposed tariffs are cost-reflective and will provide the income to cover the cost of water and sanitation during the 2011/2012 financial year.

The sanitation services are subsidized by the equitable share at R495 469 only.

The indigent received a fixed account of R30,00 for all services provided that not more than 12kl water is consumed. This fixed amount is in place since the 2004 financial year.

#### Electricity Service

The proposed revisions to the tariffs have been formulated in accordance with Section 74 of the Municipal Systems Act as well as the recommendations of the National Energy Regulator of South Africa (NERSA).

Guidelines for the Municipal Electricity tariff increases in July are normally published by NERSA in the previous December. The increase for the 2011/2012 financial year is set at 20,38%

#### Refuse Removal Service

According to the Constitution of the Republic of South Africa, 1996 (Act 108 of 1996) a municipality must ensure a safe and healthy environment for its residents. Greater Tzaneen Municipality is therefore responsible to adequately maintain its refuse removal service. We must also maintain our refuse sites and solid waste disposal efforts.

The solid waste tariffs are levied to recover costs of services provided directly to customers and include collection fees, disposal fees and other ad hoc services.

It is proposed that the tariff be increased by 6% on the 2010/2011 tariffs with effect from 1 July 2011.

#### Tariffs and Charges Book

Council is permitted to levy rates, fees and charges in accordance with the Local Government Municipal Property Rates Act, the Local Government: Municipal Systems Act, Act 32 of 2000, Section 75A and the Municipal Finance Management Act, no. 56 of 2003, 17 (a)(ii).

#### (d) DEBTORS

The table below illustrates the debtor revenue in millions for the 7 months, July 2010 to January 2011:

DEBTOR REVENUE	JULY 10 R000,	AUG 10 R000,	SEPT 10 R000,	OCT 10 R000,	NOV 10 R000,	DEC 10 R000,	JAN 11 R000,
Revenue Billed	36 195	34 482	33 981	29 094	28 748	29 925	30 343
Revenue Collected	23 893	28 011	34 055	28 849	31 445	27 094	29 850
% Revenue Collected	66	81	100	99	109	91	98

The MFMA requires that the budget be based on realistic forecasts for revenue and over the said period the collection rate for Greater Tzaneen Municipality amounted to 91%.

#### (e) SAVINGS AND EFFICIENCIES

To ensure value for money and efficient utilization of resources, performance indicators have been set for all Section 57 Directors as well as all Managers. In-year reports (monthly and quarterly) as well as annual reporting are done on functional service delivery against information contained in the approved SDBIP.

Performance plans and productivity measures exist for each manager and it is expected of top management

(all Directors) to manage their respective votes / departments.

## **(f) INVESTMENTS**

Adequate provision has been made by way of external investments to ensure that cash is available on the maturity date of external sinking fund loans. Short-term Investment income on the other hand is utilized to fund the operational budget.

Details of the investments of Greater Tzaneen Municipality are disclosed as follows.

### **Valuation of unlisted Investments**

Liberty	R 1 809 149
BOE (Sinking fund)	<u>R16 118 386</u>
<b>TOTAL</b>	<b><u>R17 927 535</u></b>

### **Excelsior 1000 Investment**

An investment of R855 619 has been made with Liberty to repay a loan of R15 million on maturity date. The loan bears interest on variable rate and the value of the investment amounts to R1 809 149.

### **Sinking Fund**

An investment of R6 982 292 has been made with BOE to repay a loan of R20 000 000 on maturity date. The loan bears interest on a variable rate and the value of the investment amounts to R16 118 386. The BOE investment has been ceded to ABSA.

## **(g) GRANT ALLOCATION**

The grant allocation as published in the Division of Revenue Act are summarized as follows:

<u>Allocation</u>	<u>2011/2012</u>	<u>2012/2013</u>	<u>2013/2014</u>
Equitable Share	R176 879 000	R195 784 000	R208 601 000
Infrastructure Grant	R 46 712 000	R 56 798 000	R 59 922 000
Financial Man Grant	R 1 250 000	R 1 500 000	R 1 500 000
INEP (Elect)	R 5 000 000	R 5 000 000	R 10 000 000
Mun. Syst Imp. Grant	R 790 000	R 800 000	R 900 000
Neighbour Dev Grant	R 14 000 000	R 10 000 000	R 20 000 000

Council must also take note that an Integrated National Electrification Programme: Indirect grant of R4 million and R9,4 million Integrated National Electrification Grant (Eskom) for 2011/2012 has been allocated to Greater Tzaneen Municipality. These are, however, indirect grants which means that the money will not be transferred to Council, but that projects to the value of R13,4 million will be executed in our area of jurisdiction.

## **12. EXPENDITURE ON ALLOCATIONS AND GRANT PROGRAMMES**

According to the introduction of the Municipal Infrastructure Grant (MIG) the grant has been divided as follows for the National Budget year:

<u>MIG Projects</u>	<u>Amount</u>	(Actual)
2011/2012 MIG BUDGET	R46 712 000	

This Grant is divided as follows:

Administration	R 2 335 600
Capital Projects	R44 376 400
<b>Total Grant</b>	<b><u>R46 712 000</u></b>

The MIG for the three years have been allocated as follows:

Financial year 2011/2012 allocation R46 712 000.00

<b>Project Name</b>	<b>MIG Fund</b>	<b>Counter Fund</b>	<b>Total</b>
Ramotshinyadi Phase 1 D3202 (11 km)	24 576 400	15 400 000	39 976 400
Sasekane D3763 (8 km)	19 800 000	11 200 000	31 000 000
PMU Management	<u>2 335 600</u>		<u>2 335 600</u>
<b>TOTAL</b>	<b><u>46 712 000</u></b>	<b><u>26 600 000</u></b>	<b><u>73 312 000</u></b>

Financial year 2012/2013 allocation R56 798 000.

<b>Project Name</b>	<b>MIG Fund</b>	<b>Counter Fund</b>	<b>Total</b>
Ramotshinyadi phase 2 D3202 (11 km)	4 523 600		4 523 600
Ramotshinyadi Bridge	13 000 000	10 000 000	23 000 000
Mafarana to Sedan D3767 (6 km)	18 600 000	8 400 000	27 000 000
Thapane to Moruji Phase 1 D3248/ D3175 (11 km)	17 834 500	8 400 000	26 234 500
PMU Management	<u>2 839 900</u>		<u>2 839 900</u>
TOTAL	<u>56 798 000</u>	<u>26 800 000</u>	<u>83 598 000</u>

Financial year 2013/2014 allocation R59 922 000

<b>Project Name</b>	<b>MIG Fund</b>	<b>Counter Fund</b>	<b>Total</b>
Thapane to Moruji Phase 1 D3248/ D3175 (11 km)	16 265 500	7 000 000	23 265 500
Senakwe to Morapalala D3198/D3215 (6.8 km)	21 080 000	6 473 600	27 553 600
Project waiting Registration	19 580 400		19 580 400
PMU Management	<u>2 996 100</u>		<u>2 996 100</u>
TOTAL	<u>59 922 000</u>	<u>13 473 600</u>	<u>73 395 600</u>

### **13. ALLOCATIONS OF GRANTS MADE BY THE MUNICIPALITY**

The allocations made by Council for the 2011/2012 financial year can be summarized as follows:

Museum	R 33 326
Eskom EBSST	R3 500 000
Mayor Special Account	R 60 000
SETA	R 26 000
SPCA	R 90 000
Mayors Bursary Account	R 157 200
Sport Council	R 106 644
Arts & Cultural	R 24 217
Solid Waste	R 450 766

## **14. DISCLOSURE ON COUNCILLORS ALLOWANCES AND EMPLOYEE BENEFITS**

(A) COUNCILLORS ALLOWANCES AND COST TO COUNCIL

	SALARY	TRAVELLING	UIF	TEL. ALL	SETA
<b>EXCO</b>	1 201 818	400 608	0	71 878	1 650
<b>FULL TIME</b>	1 820 937	606 979	8 011	96 043	7 698
<b>MAYOR</b>	485 584	161 861	1 602	19 209	0
<b>OTHER</b>	8 157 746	2 719 229	0	670 864	59 427
<b>SPEAKER</b>	388 467	129 489	1 602	19 209	3 949
<b>TOTAL</b>	12 054 551	4 018 166	11 215	877 202	72 724

(B) EMPLOYER BENEFITS FOR MUNICIPAL MANAGER AND OTHER SENIOR MANAGERS

	MUNICIPAL MANAGER	PLANNING & ECONOMIC DEVELOPMENT MANAGER	CHIEF FINANCIAL OFFICER	CORPORATE SERVICES MANAGER	COMMUNITY SERVICES MANAGER	ELECTRICAL ENGINEERING MANAGER	ENGINEERING SERVICES MANAGER	DIRECTOR IN THE OFFICE OF THE MAYOR
B/SALARY	1 128 792	956 389	956 389	956 389	956 389	956 389	956 389	956 389
INSENTIVE Bonus	0	0	0	0	0	0	0	0
A/BONUS	0	0	0	0	0	0	0	0
UIF	1 632	1 602	1 632	1 602	1 602	1 602	1 602	1 602
SETA	10 748	6 892	6 883	6 997	5 983	6 594	6 410	6 410
TEL. ALL	16 350	12 840	12 840	12 840	12 840	12 840	12 840	12 840
LEAVE RED	33 872	60 170	60 170	60 170	60 170	60 170	60 170	60 170
<b>TOTAL</b>	<b>1 242 076</b>	<b>1 084 334</b>	<b>1 084 325</b>	<b>1 084 439</b>	<b>1 083 424</b>	<b>1 084 036</b>	<b>1 083 852</b>	<b>1 083 852</b>

(C) EMPLOYEE BENEFITS FOR OTHER MUNICIPAL EMPLOYEES

BENEFIT	AMOUNT
Basic Salary	R 96 646 687
Overtime	R 12 526 524
Pension Scheme Contribution	R 10 011 415
Bonus	R 7 057 976
Standby	R 1 592 063
Leave Redemption	R 6 488 423
Housing Allowance	R 1 243 175
Travel Allowance	R 6 473 874
Performance Incentive Schemes	R 1 493 704
Medical Aid Contribution	R 7 090 446
Pension Schemes	R 16 819 508
UIF Contribution	R 1 098 550
Group Insurance	R 1 329 605
Workmens Compensation	R 791 527
SETA	R 1 325 434
Bargaining Council	R 37 434
<b>TOTAL</b>	<b>R172 026 349</b>

Cost to Council: Political Office – Bearers and collectively

LEVEL	B/SALARY	TRAVEL ALL	UIF	TELEPHONE	COST TO COUNCIL
EXCO	200 303	66 768	0	11 980	279 051
OTHER	145 674	48 558	0	11 980	206 211
FULL TIME	364 187	121 396	1 602	19 209	506 394
MAYOR	485 584	161 861	1 602	19 209	668 256
SPEAKER	388 467	129 489	1 602	19 609	538 767
<b>TOTAL</b>	<b>1 584 215</b>	<b>528 072</b>	<b>4 807</b>	<b>81 585</b>	<b>2 198 679</b>

Number of Councillors: 67

Number of Personnel: 610

Greater Tzaneen has 610 full time personnel employed which includes 7 Senior Managers appointed in terms of Section 57 of the Municipal Systems Act. The Senior Managers are:

The Municipal Manager	VACANT
The PED Manager	Me FT Mashianoke
The Manager Corporate Services	Me TC Mametja
The Chief Financial Officer	Mr. AJJ Le Grange
The Engineering Services Manager	Mr. LAJ Ramokolo
The Electrical Engineering Manager	Mr. P Van den Heever
The Community Services Manager	Mr. O.Z. Mkhombo

## **15. MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASHFLOW**

### **(a) CONSOLIDATED PROJECTION OF REVENUE BY SOURCE AND EXPENDITURE BY TIPE.**

Attached as Annexure "L"

### **(b) CONSOLIDATED PROJECTION OF REVENUE AND EXPENDITURE BY VOTE.**

Attached as Annexure "M"

### **(c) CAPITAL EXPENDITURE BY VOTE.**

	OWN SOURCES	LOANS	GRANTS	TOTAL
Eng. Services	8 000 000	31 500 000	46 712 000	86 212 000
Elect. Services	11 000 000	15 500 000	5 000 000	31 500 000
PED		500 000		500 000
Municipal M		500 000		500 000
Corp Serv M		500 000		500 000
Community S		1 000 000		1 000 000
CFO		500 000		500 000
<b>TOTAL</b>	<b>19 000 000</b>	<b>50 000 000</b>	<b>51 712 000</b>	<b>120 712 000</b>

### **(d) CASH FLOW SETTING OUT RECEIPTS BY SOURCE AND PAYMENT BY TIPE.**

Attached as Annexure "F"

## **16. SUMMARY OF THE BUDGET AND THE SDBIP – INTERNAL DEPARTMENTS**

### **A) Executive summary of the SDBIP for each internal department.**

In terms of Section 53 (1) (c) (ii) of the Municipal Finance Management Act, the Service Delivery and Budget Implementation Plan (SDBIP) is defined as a detailed plan approved by the Mayor of a Municipality for implementing its delivery of municipal services and its annual budget which must indicate the following:-

- a) Monthly projections of-
  - I Revenue to be collected, by source; and
  - II Operational and capital expenditure by vote
- b) Service delivery targets and performance indicators for each quarter.
- c) Other matters prescribed.

The Mayor, in accordance with Section 53 of the MFMA, is expected to approve the SDBIP within 28 days after the approval of the Budget. In addition, the Mayor must ensure that the revenue and expenditure projections for each month and the service delivery targets and performance indicators as set out in the SDBIP are made public within 14 days after its approval.

The SDBIP gives effect to the Integrated Development Plan and the Budget of the Municipality. It is an expression of the objectives of the Municipality in quantifiable outcomes which will be implemented by the administration for the financial period from 1 July 2011 to 30 June 2012. It includes the service delivery targets and performance indicators for each quarter, which should be linked to the performance agreements of senior management. It therefore facilitates oversight of financial and non-financial performance of the Municipality and allows the

Municipal Manager to monitor the performance of the managers.

## **B) Services provided including level of services**

With regard to service delivery standards Greater Tzaneen Municipality endeavors to realize the following values:

- Give priority to the basic needs of the community
- Promote the development of the community
- Ensure that all members of the Local Community have access to at least the minimum level of basic municipal services.

With regard to the levels of services currently rendered in our area of jurisdiction we are convinced, although much more needs and will be done, that Greater Tzaneen Municipality is one of the leading municipalities in the country.

The level of the different services currently rendered by Council can be summarized as follows:

### **Waste Management**

- Level of Service

A full curbside collection service is rendered to communities in Tzaneen, Nkowankowa, Lenyenye, Letsitele and Haenertsburg, which represents only 11% of all households. All general and health care waste are also removed from viz: Tzaneen, Nkowankowa, Lenyenye, Letsitele, Haenertsburg (at present 30 000m<sup>3</sup> compacted refuse).

- Backlogs

» 16% of households in the total rural areas, representing ± 14 979 households, receives a basic collection service.

» The cost to address the service in full with immediate effect will be approximately R78 million for all 129 x Villages.

- Waste Minimization

◊ The following production of refuse exists in the Greater Tzaneen Municipality area, resulting in a life-span of ± 17 years for the landfill site:

- ~ Volumes generated = 30 000m<sup>3</sup> p.a.  
compacted
- ~ Capacity of the Landfill = 811 000m<sup>3</sup>
- ~ Compaction = 5:1

◊ The landfill site is presently utilized as a Regional landfill site receiving solid waste from Tzaneen and Greater Letaba. (Modjajikloof)

◊ Presently all organic waste (garden) is treated at the composting site adjacent to the landfill.  
(Presently ± 15 436m<sup>3</sup>)

- Litter Picking. (Main Roads & Streets)

» All streets and main roads are cleaned on a regular basis.

- Recycling

» Recycling takes place at the landfill and private premises and are removed by private enterprise from industrial and business premises. (56, 590m<sup>3</sup> p.a.)

» Recycling at the Tzaneen Landfill  
(5 343m<sup>3</sup> p.a.)

Collections

The services must be extended to include:

+ 129 Villages of another (76 441 residential stands) which are situated within the rural jurisdiction area of Greater Tzaneen Municipality.

- » The mandate of Greater Tzaneen Municipality is to:

Provide all households with a basic removal service.

## **Water and Sewer Services**

### **Level of Service**

#### **Water Treatment**

Greater Tzaneen Municipality manages and operates Water Works in Tzaneen (Georges Valley and Tzaneen Dam) and Letsitele (Letsitele Water Works) at 100% efficiency level. These water works comply with Blue Drop Certification and SANS 241:2005 levels and criteria as set by Department of Water Affairs. Haenertsburg and Nkowankowa are supplied by Lepelle Northern Water while Lenyenye is supplied by Mopani District Municipality as Water Services Authority. Regular water samples are collected from different points of these mentioned towns and analyzed accordingly.

Boreholes are mainly used to augment the non-functional water works in rural areas and in places where there is no other sources than ground water. More than 40% of the total boreholes are dysfunctional due to vandalism, theft of electrical cables, transformers and also theft of borehole pumps. Council supplies water to the rest of the rural community through water tankers.

#### **Wastewater Treatment**

Greater Tzaneen Municipality manages and operates Tzaneen Sewage Works and assist Mopani District Municipality to maintain Nkowankowa Sewerage Works and Lenyenye Oxidation Ponds. Both

Haenertsburg and Letsitele are using Septic tanks which are drained regularly at the request of the owner. The majority of the rural community use VIP latrines.

#### Maintenance of Water services network

A 100% maintenance services is rendered by Greater Tzaneen Municipality to the following towns:

- Tzaneen
- Nkowankowa
- Lenyenye
- Letsitele
- Haenertsburg

Although Greater Tzaneen Municipality always responds to community request to repair or assist with maintenance to equipments in rural areas but to date the maintenance in rural areas is in the hands of Mopani District Municipality.

#### **Electricity**

Tzaneen has the options of power delivery in single or three phase form. Pilot projects with 20 Amp pre-paid dispensers are also currently running, which constitutes a possible future third option.

The Municipality's licensed distribution area is basically 98% electrified, with some minor farm labour electrification projects in progress, whilst where the municipal area overlaps with the Eskom licensed distribution area, these areas are 82% electrified.

Power provision is on a 24 hour basis with minimal interruptions due to faults and maintenance, due to lack of funding for operational and capital activities systems integrity is being negatively affected.

The issue of FBE (Free Basic Electricity) to our indigent people has been fully addressed by Council and is implemented as far as the Eskom administrative constraints will allow.

Council is also one step closer to resolving the electricity capacity issues with the first phase of the Western substation now initiated.

### **C) Senior Management Capability and Structure**

The organizational structure of the Municipality provides for the following service departments:

- Office of the Municipal Manager
- Office of the Chief Financial Officer
- Planning & Economic Development Services
- Corporate Services
- Engineering Services
- Community Services
- Electrical Engineering Services

Each department is headed by a Section 56/57 Manager appointed on a fixed term contract coupled to an Annual Performance Agreement.

As on 1<sup>st</sup> January 2011 all senior management positions were filled, except for the Municipal Manager. The latter filling of the vacancy is at an advanced stage.

Care is being taken that capable Senior Managers are being appointed who have the necessary qualifications and experience to do justice to their respective functions and responsibilities.

### **D) Changes to service levels and standards**

The service levels and standards are contained in item 16 (B) of this report.

## **17. SUMMARY OF BUDGET AND SDBIP – ENTITIES**

Greater Tzaneen Municipality does not have an entity.

## **18. CONTRACTS HAVING FUTURE AND BUDGETARY IMPLICATIONS**

### **a) NAMES OF ALL CONTRACTING PARTIES**

NAME	SERVICE
Quality Plant Hire	- Maintenance of tarred Roads.
Selby Construction	- Maintenance of Drainage and Storm Water System
African Meter Reading	- Electrification and water meter reading and performing of credit control measures.
Green Valley Contractors	- Rebuilding and Refurbishing of lines
Thlaola Dynamics	- Municipal Valuation Roll
Pondo Crop	- Project Management and Implementation of NDPG Programme
Mohale Electrical	- Electrical project
Siphiwe Engineering	- 66 kV Dual line
Molebogeng Trading	- Litter picking
Leshika Consulting	- Electrification of Pulaneng and Mokgoloboto Village
Kgoshi Electrical	- Security
Mma Tshepi	- Construction of Hweej access road
Whelpton Investment and AMR Asset management	- Fleet lease
Beta Project	- Cleaning on lines / vegetation control

### **b) INFORMATION ON EXPENDITURE ON EACH CONTRACT FOR THE LAST THREE YEARS**

Quality Plant Hire	- R28 458 818
Selby Construction	- R24 587 818
African Meter Reading	- R 2 925 515
Green Valley Contractors	- R 7 122 258
Thlaola Dynamics	- R 3 733 520
PONDO CORP	- R 5 035 586
Mohale Electrical	- R 0
Siphiwe Engineering	- R 733 961
Molebogeng Trading	- R 8 486 278
Leshika Consulting	- R 0
Kgoshi Electrical	- R10 854 794
Mma Tshepi	- R 927 480
Whelpton Investment and AMR Asset management	- R 8 208 612
Beta Project	- R 5 950 551

**c) THE TOTAL EXPENDITURE ON EACH CONTRACT TO DATE**

Quality Plant Hire	-	R34 526 412
Selby Construction	-	R29 017 408
African Meter Reading	-	R 4 188 090
Green Valley Contractors	-	R 8 312 891
Thlaola Dynamics	-	R 3 733 520
PONDO CORP	-	R 5 252 992
Mohale Electrical	-	R 1 585 859
Siphiwe Engineering	-	R 2 289 425
Molebogeng Trading	-	R13 497 971
Leshika Consulting	-	R 962 762
Kgoshi Electrical	-	R13 989 071
Mma Tshepi	-	R 2 515 419
Whelpton Investment and AMR Asset management	-	R10 106 648
Beta Project	-	R 7 301 989

**d) PLANNED EXPENDITURE ON EACH CONTRACT FOR THE BUDGET YEAR AND THE FOLLOWING TWO YEARS**

Quality Plant Hire	-	R22 446 010
Selby Construction	-	R10 722 386
African Meter Reading	-	R 2 992 617
Green Valley Contractors	-	R 3 464 358
Thlaola Dynamics	-	R 2 500 000
PONDO CORP	-	R 302 760
Mohale Electrical	-	R11 934 002
Siphiwe Engineering	-	R 1 253 070
Molebogeng Trading	-	R 4 243 139
Leshika Consulting	-	R11 860 737
Kgoshi Electrical	-	R 6 169 259
Mma Tshepi	-	R 1 911 780
Whelpton Investment and AMR Asset management	-	R 670 639
Beta Project	-	R 2 975 275

**e) ESTIMATE OF THE TOTAL BUDGETARY IMPLICATIONS OF EACH CONTRACT**

Provision has been made on the budget by the department to accommodate the cost i.e. Contracted Services, Repairs & Maintenance, Depreciation, etc., of all contracts.

## **19. SUMMARY OF DETAILED CAPITAL BUDGET**

Capital expenditure relates to the investment in major initiatives, the benefit of which is going to last for more than one financial year.

Although the benefits derived from capital projects will last for more than one year, Council must take cognizance that capital expenditure has ongoing financial implications on the operational budget. If a vehicle testing station is built it has ongoing financial implications with regard to staffing, furniture, municipal services (water and lights), interest on external loans and depreciation, etc.. Not only must funds be made available on the capital budget, but sufficient funds must also be provided on the operational budget to sustain the operations into the future.

Section 19(2) of the MFMA determines that:

- "(2) Before approving a capital project in terms of subsection (1)(b), the council of a municipality must consider:-***
- (a) the projected cost covering all financial years until the project is operational; and***
  - (b) the future operational costs and revenue on the project, including municipal tax and tariff implication."***

Council must also take cognizance that the budget which includes the capital projects is informed by the IDP. The projects on the IDP are firstly subjected to a prioritization system and subject to the availability of funds, before it is included in the capital budget.

Section 19 of the MFMA determines that a Municipality may spent money on a capital project only if the money for the project has been appropriated in the capital budget. It also determines that the total cost of the project must be approved by Council and that the sources of funding for the project are available and have not been committed for other purposes.

The details of the capital budget are summarized as follows:

### LOANS

<b>LINE ITEM</b>	<b>DIVISION</b>	<b>2011/2012 BUDGET</b>	<b>DEPRECIATION</b>	<b>INTEREST</b>
063	Roads	31 000 000	1 033 333	1 860 000
183	Electricity	15 000 000	500 000	900 000
105	Parks Lawnmowers	500 000	16 666	30 000
002	Municipal Manager	500 000	16 666	30 000
052	Corporate Services	500 000	16 666	30 000
062	Engineering Services	500 000	16 666	30 000
162	Electrical Services	500 000	16 666	30 000
112	Community Services	500 000	16 666	30 000
032	Chief Financial Officer	500 000	16 666	30 000
012	Planning and Economic Development	500 000	16 672	30 000
	<b>TOTAL</b>	<b>50 000 000</b>	<b>1 666 667</b>	<b>3 000 000</b>

### OWN SOURCES

<b>LINE ITEM</b>	<b>DIVISION</b>	<b>2011/2012</b>
173	Electrical Dist Network Serv. Cont	10 000 000
	Electrical Connections	1 000 000
063	Roads	8 000 000
	<b>TOTAL</b>	<b>19 000 000</b>

### CAPITAL FROM OWN SOURCES AS GRANTS

<b>LINE ITEM</b>	<b>DIVISION</b>	<b>2011/2012</b>
173	Electrification	9 000 000

### CAPITAL FROM GRANTS

<b>LINE ITEM</b>	<b>DIVISION</b>	<b>2011/2012</b>
063	MIG : Roads	44 376 400
173	National Electr..	5 000 000
	<b>TOTAL</b>	<b>49 376 400</b>

Interest and redemption / depreciation have been provided for on the operational budget to accommodate the capital cost of IT infrastructure and equipment to the amount of R4 million and the replacement of vehicles to the amount of R8 million. It must also be emphasized that the purchase value will be determined by the interest rate applicable on date of signing the agreements. These allocations represent financial leases.

## **FINANCIAL IMPLICATIONS OF CAPITAL EXPENDITURE**

Section 18 of the MFMA determines, inter alia, that a Municipality may make use of borrowed funds, but only to finance capital expenditure.

External borrowing therefore represents capital funds. It must, however, be emphasized that although external borrowing represents capital funds it has a negative effect on the operational budget in the form of interest and depreciation. The result of this is less funds available for maintenance and general administration costs.

The need for capital projects has, however increased to such an extent that a loan will have to be taken up to accommodate the cost of the projects.

Should Council approve a loan of R50 million for rural projects and to upgrade, inter alia, the electricity distribution system it will have the following financial implication on the operational budget:

LOAN	INTEREST	DEPRECIATION	TOTAL
R50 000 000	R3 000 000	R1 666 667	R4 666 667

These costs are based on a 15 year loan at an interest rate of 12%.

The capital cost, interest and depreciation, for six months have been included in the operational budget.

## **20. LEGISLATIVE COMPLIANCE STATUS**

Compliance with the MFMA requirements have been substantially adhered to through the following activities:

- Budget and Treasury Office have been established in accordance with the MFMA.
- Budget Steering Committee required by the Budget Regulations has been established and is functional.

- The Annual Budget has been prepared in accordance with the requirements prescribed by National Treasury, the MFMA and budget regulations.
- 100% compliance with regard to monthly, quarterly and annual reporting to the Mayor, Executive Committee, Council, Provincial Government and National Treasury.
- The Annual Financial Statements complies with all the statements of GRAP.
- The Annual Report has been prepared in accordance with the MFMA and National Treasury requirements.

## **21. OTHER SUPPORTING DOCUMENTS**

21.1 Providing clean water and managing waste water.

Attached as Annexure "J" is a certificate of analysis of water samples of Greater Tzaneen Municipality.

## **22. ANNUAL BUDGET OF MUNICIPAL ENTITIES**

Greater Tzaneen Municipality does not have an Entity.

## **23. PERFORMANCE AGREEMENTS OF SENIOR MANAGERS**

The performance agreements of Senior Managers are attached hereto as annexure "Q"

## **24. MUNICIPAL MANAGERS QUALITY CERTIFICATION**

The Quality Certificate is attached as Annexure "N".

**DEPARTMENTAL COMMENTS**

**COMMENTS FROM CORPORATE SERVICES**

**COMMENTS FROM ENGINEERING SERVICES**

**COMMENTS FROM ELECTRICAL ENGINEERING**

**COMMENTS FROM PLANNING AND ECONOMIC DEVELOPMENT**

**COMMENTS FROM COMMUNITY SERVICES**

**COMMENTS FROM THE CFO**

**COMMENTS FROM THE MUNICIPAL MANAGER**

**COMMITTEE OUTCOME OR STUDY GROUP OUTCOMES**

**RESOLVED TO RECOMMEND**

**ATTACHMENT**